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Start the week with...



Military expertise
The US sticks to its guns
Page 14



Making a marque
Peugeot-Citroën's reorganisation
Page 19



Today's survey
Business education
Separate Section

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MONDAY JANUARY 19 1998

WORLD NEWS

Islamist party leaders may defy Turkish court ban

Turkey's Islamist Welfare party appeared to be on a collision course with the secular state as its leaders ignored warnings not to form a new Islamist opposition. Although the constitutional court closed the party on Friday, Welfare leader Necmettin Erbakan said: "This Islamist ideal will be fulfilled by the children of this nation, whatever the party or organisation's names." Page 2

Sinn Féin to meet Blair
Leaders of Sinn Féin, political wing of the Irish Republican Army, will visit UK prime minister Tony Blair today for a meeting likely to be dominated by Northern Ireland settlement proposals which Sinn Féin has rejected, and yesterday's loyalist murder of a Catholic. Page 7, Editorial comment, Page 15

MBA a career booster
European MBA courses - usually seen as poor relations to the big US business schools - can help double their graduates' salaries in under five years, an FT survey shows. Page 16

Moderate wins Bosnia poll
Moderate pro-western opposition leader Milorad Dodik was elected prime minister of the Serb half of Bosnia, ending six years' rule by hardline nationalists who launched the Bosnian civil war. Page 2

Labelling plans under review
European Union ministers are to review proposals for labelling genetically modified food after experts failed to agree on the issue. Page 5

Pilot charged over Nadir
UK pilot Peter Diamond, arrested by police investigating the escape from Britain of tycoon Asif Nadir, was charged with perverting the course of justice. The former Polly Peck international chairman, who faced \$20m theft and false accounting charges, fled to Northern Cyprus in 1993 while on bail.

Leftists call for Euro poll
Thousands of French communists and other left-wingers marched through Paris to demand a referendum before France joins European economic and monetary union. Communist Party leader Robert Hue also called for the EU to make jobs and social issues its priority.

Ex-Nomura chiefs held
A former vice president and a former managing director of Nomura Securities and a director of Japan's public highway corporation were arrested on bribery charges.

One blast at Arctic mine
Hopes faded for 23 coal miners trapped after a methane explosion at Russia's Tsentralnaya coal mine in the arctic Yuzhnyy region. At least four were killed.

Dig for salvation
Malaysia's ruling party is asking its 708,000 youth members to grow vegetables and save on transport bills. The campaign is in line with government appeals to Malaysians to help tackle the Asian economic crisis.

Cardinals named
Pope John Paul II named 22 new cardinals, including Archbishop Francis Eugene George of Chicago, and the archbishops of Toronto, Mexico City, Vienna and Madrid.

More people in US jails
The US prison population increased by more than 96,000 or nearly 5 per cent to more than 1.7m in the 12 months to June 30, the justice department said.

BUSINESS NEWS

Russian merger set to put new oil producer in world top three

Yuko and Sibneft, two of Russia's leading oil companies, will today announce a merger to create Yukos, which will be one of the world's top three oil producers. Page 17; Opec tries to reverse production decision, Page 3

Kohlberg Kravis Roberts, the Wall Street buyout firm, was last night poised to pay more than \$1bn for Regal Cinemas, one of North America's largest cinema chains.

Peregrine, the collapsed Hong Kong investment bank, said it hoped to find a buyer for its slumped-down equity products business this week. Page 16

The European Commission is expected to indicate that it has concerns about the proposed merger of global accountancy firms Price Waterhouse and Coopers & Lybrand. Page 19

Kirch and Bertelsmann, the German broadcasting groups, hope to restrict US film studios' investment in Premiere, a proposed digital pay-TV venture. Page 19

The Italian government agreed to the £7,000bn (\$3.9bn) sale of Autostrade, the state motorway network.

BNP's former chief executive, Bill Harrison, who is to take a senior role at Deutsche Morgan Grenfell, said he was sure that his new German employer would not pull back from investment banking as Barclays had. Page 17

Capital Industries, French upholstery and furniture group, is set to announce the acquisition of Nestledown, its third UK bedding company. Page 18

Crédit Foncier de France, state-owned specialist property lender, is to receive a financial boost from government reform of a loan scheme for people on low incomes. Page 19

The Singapore government has taken a 25 per cent stake in the Duke of Westminster's European property business. Page 17

Allied Domecq has received an approach from at least one bidder interested in buying its drinks business. Page 17; Lex, Page 16

Ford Motor, the world's second biggest carmaker, plans to build a \$150m factory near St Petersburg. Page 19

Inmarsat and Halebart, two of the world's biggest satellite operators, are considering abandoning their co-operative ownership and making a \$3bn public offering. Page 18

Arthur Andersen, the world's largest professional services organisation, is seeking more time in the battle with its sister firm Andersen Consulting, which is trying to break away. Page 17

Cross-border acquisitions in Asia-Pacific countries fell by 50 per cent in value in the second half of 1997, two reports show. Page 18

Pearson, the media company, is looking at a possible auction of Future Publishing, its consumer magazine division, which might fetch up to £150m (\$244.5m). Page 18

Malaysia Airlines System, the national carrier, is seeking to delay the delivery of 20 aircraft from Boeing of the US by up to five years. Page 5

Royal Dutch/Shell has held its first meeting with institutional shareholders to explain its new environmental and social policies. Page 18

Italy could clinch early membership of Emu

EU finance ministers ready to back finance plans

By James Blyth in Rome and Lionel Barber in Brussels

European Union finance ministers are today expected to give qualified approval to Italy's plans to be a founder member of economic and monetary union next year.

Barring last-minute objections from the Netherlands or Germany, ministers are likely to declare that the Italian government's latest projections for reform of its public finances are realistic and achievable.

But the so-called Ecofin meeting in Brussels is expected to express reservations about the 1998 budget and the sustainability of Italy's recent impressive drive to reduce its public deficit and debt.

Romano Prodi, Italy's prime minister, is hoping the Brussels meeting will give a strong endorsement of Italy's bid to join the single currency before Chancellor Helmut Kohl visits Rome tomorrow.

A draft report on Italy's latest efforts to cut its deficit was approved by the EU's secretive monetary committee last week. The report is expected to form

the basis of today's judgment on Italy's Emu prospects.

The document expresses reservations about projections for reducing Italy's long-term pension liabilities - an issue that briefly toppled Mr Prodi's government last autumn and which is seen as the biggest problem facing the country.

The draft states that the impact of recent reforms will be "very gradual", but it concedes that the pensions system no longer poses the same risk of financial collapse as five years ago.

The monetary committee - comprised of national treasury officials and central bankers - also suggests that the structural aspects of the 1998 budget appear limited and calls for a thorough overhaul of the Italian railways. The state railway system operates at a loss of about £4,000bn a year, around 0.2 per cent of gross domestic product.

"This is one of the major challenges for government action over the next few years," the draft says.

Today's Ecofin meeting is the first under the British presidency of the EU and one of the last formal opportunities for the Dutch and German governments to raise doubts about Italy's long-term fitness to join as many as 10 other EU members in the single currency.

There have been suggestions in Germany and the Netherlands that Gerrit Zalm, Dutch finance minister, might resign if EU leaders back Italy's bid at the summit on May 24.

Germany has also called for assurances over some aspects of Italy's finances. But Italy is expected to show a public deficit of about 2.7 per cent in 1997, lower than Germany's.



Rome visit: German chancellor Helmut Kohl

Virtue rewarded, Page 2
Philip Stephens, Page 14

EU to end dispute with US over tallow

By Daniel Dombey in Brussels

The European Union is poised to end a dispute over animal products in soap and cosmetics that has clouded trade relations with the US for more than a year.

In the next few weeks, the EU is expected to back changes that would allow products derived from tallow to be used in soaps and cosmetics.

Tallow, a fatty substance made from cooking animal carcasses and skimming off the residue, is almost universally used in both industries.

Last year the use of tallow and tallow derivatives in the two industries was technically ban-

ned in Europe because of fears over BSE or "mad cow disease". The parts of animals most at risk of carrying BSE - such as brains, eyes and spinal cords - are usually left in the carcasses used to make tallow. The ban was not enforced, critics say, because of its impracticality.

Lifting the ban would remove the legal uncertainty that has hung over hundreds of millions of dollars of US exports to Europe.

It would also reassure European soap and cosmetic producers that they would not have to make radical changes to the

Continued on Page 16

Iraqis respond to call-to-arms



Iraqi women give a victory salute after joining a paramilitary group yesterday. President Saddam Hussein declared a 'holy war' on UN sanctions and called for a 1m-strong volunteer force to mobilise for a struggle aimed at breaking the embargo. Report, Page 16; Out to foil UN 'detectives', Page 3

Hyundai chairman calls for 'gradual decline' of rival Kia

By Haig Simonian, Motor Industry Correspondent

Decisions by the South Korean government over the future of Kia Motors, the country's second-biggest vehicles group, will determine the fate of the nation's motor industry, said Mong-Gyu Chung, chairman of Hyundai Motors, the biggest carmaker.

Mr Chung said he hoped the government, which rescued debt-ridden Kia last October, would let the company decline gradually. That would strengthen Korea's other carmakers and make room for Samsung's market debut in March.

Selling Kia to another company free of debt "would be quite disastrous for us", he said in an interview in London.

Mr Chung said allowing Kia, to wither was the most likely scenario. No domestic or foreign car company would buy Kia with all its debts.

Yet the government's straitened financial circumstances and commitments to the interna-

tional Monetary Fund would prevent a transfer of Kia's loans to state institutions and the sale of a cleaned-up version.

Mr Chung, who heads the biggest subsidiary of Korea's second-largest industrial group, said the next three to six months would determine how fast Korea would emerge from its financial crisis.

Success would depend on the speed and decisiveness of the country's new president in steering through industrial restructuring to allow weaker companies to collapse or be acquired.

Fundamental labour reforms were also essential to allow companies to cut workers in response to lower demand.

He said that in the motor industry alone, Hyundai expected domestic sales to fall by between 25 per cent at best and 40-50 per cent at worst this year.

However, Mr Chung, on his first trip outside Korea since the crisis, allayed fears among western rivals of a flood of cheap Korean car exports to maintain pro-

duction at home. He said Hyundai had not changed its pre-crisis target of raising exports by 15-17 per cent - from a total of about 600,000 to 700,000 units - this year.

Although the steep devaluation of the won would allow the company to cut foreign prices substantially, Hyundai intended to maintain prices. The increased margin would be used to cushion against deteriorating home conditions and to finance spending on improving the group's image abroad through advertising and marketing.

"We don't have any intention to raise overseas sales dramatically. It would invite some trade conflict and it wouldn't improve our profitability very much."

Mr Chung said Hyundai Motors, which made net profits of Won87bn (\$54m) last year, would for 1997 report "a positive profit, a little less than the previous year".

Flip side of Asian coin, Page 12
US becomes top target, Page 7

EMS: Grid



The chart shows the monthly currencies of the exchange rate mechanism (ERM) against the central currency, the pound sterling. The currencies are plotted on a grid with the pound sterling as the base. The currencies are: Deutsche Mark (DM), French Franc (FF), Italian Lira (L), Dutch Guilder (G), Spanish Peseta (P), and the ECU. The grid shows the relative values of these currencies against the pound sterling.

The French franc, the Austrian schilling, the Dutch guilder, the D-Mark and the Belgian franc all converged on the EMS grid last week, highlighting the disappearance of exchange rate volatility between them. Currencies, Page 23

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Currency	Unit	Value
Deutsche Mark	DM	1.93636
French Franc	FF	6.55957
Italian Lira	L	2036.27
Dutch Guilder	G	3.76033
Spanish Peseta	P	166.639
ECU	ECU	1.93627

Inside

COMMENT & ANALYSIS

- The US and Northern Ireland Editorial Comment, Page 15
- Middle East talks Editorial Comment, Page 15

THIS WEEK

- The etiquette of snow-shovelling Dateline, Page 9
- Tom Stalkamp, Chrysler supreme Profile, Page 9

MANAGEMENT

- Registering the value of cash Page 10
- A lesson in transactions Page 10

THE ARTS

- Conductors with hard acts to follow Page 13



The new Spanish explorers: forming pocket-sized multinationals. Page 15

MARKETING & MEDIA

- Creating a property brand Page 11

TRAVEL

- Flip side of the Asian coin Page 12
- Airline alliances Page 12

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NEWS: EUROPE

Triumph for Bosnian Serb moderate

By Guy Dinmore in Belgrade

A moderate pro-western opposition leader was yesterday elected prime minister of the Serb half of Bosnia, ending six years of rule by hardline nationalists who launched the Bosnian civil war.

Milorad Dodik, whose party of Independent Social Democrats has only two delegates in the 83-seat Bosnian Serb parliament, was able to form a government of national unity with the support of Muslim representatives based in the Muslim-Croat federation that makes up the other half of Bosnia.

The former ruling Serb Democratic party led by Radovan Karadzic, who has been indicted for war crimes, failed to form a coalition with the ultra nationalist Serb Radical party following inconclusive elections in November.

Mr Dodik's new govern-

ment represents the most radical shake-up of post-war Bosnian politics, and is a victory for the international community in its campaign to forge a viable single state. Mr Dodik, a 38-year-old businessman from the north-west town of Lakstasi, is a committed supporter of the US-mediated Dayton peace accord.

He has allied himself with Biljana Plavsic, the pro-western Bosnian Serb president. Diplomats expect the new government will give the international community the confidence to arrest more war crimes suspects - perhaps Mr Karadzic himself.

The US is also about to launch a drive to get refugees to return to their homes, although such an operation would need considerable support from Nato troops.

"We don't have anything to fear from the international community. We only have to fear our own ignorance and incompetence," Mr Dodik said after an all night session of parliament in the north-east town of Bijeljina. The nationalists stormed out of parliament and refused to take part in the vote.

Although Muslim deputies supported Mr Dodik, none will have ministerial positions in the new coalition.

Italy wants virtue rewarded

Ciampi is building the case for admission to monetary union

Carlo Azeglio Ciampi, Italy's Treasury minister, is likely today to take his country one step closer to its goal of joining the planned single European currency in 1999.

There are strong indications he will get broad endorsement of Italy's economic reforms at a meeting of European Union finance ministers in Brussels.

But even so Mr Ciampi knows he must wait a little longer before getting a firm signal his country can join the first wave of entrants to European economic and monetary union (Emu).

Over the last 12 months, Mr Ciampi - who at 77 remains one of Europe's more energetic finance ministers - has conducted a lightning restructuring of the economy in his determination to get Italy to qualify for the euro.

In his budget for 1998 he introduced fiscal tightening of L25,000bn (\$14bn) that is expected to keep the budget deficit to at least 2.8 per cent of gross domestic product this year.

Mr Ciampi is going to considerable lengths to ensure a cast-iron case for Emu entry. He has even promised to publish the outline of the 1999 budget before the final decision on Emu entry at an EU summit in May.

Moreover, he has sought to counter three specific concerns about the state of Italy's finances.

The first concern is that the Treasury has drastically cut transfers of cash to some 500 public bodies over the past year without annulling



Ciampi must wait a little longer for firm Emu signal

laws that entitle these self-same bodies to receive the transfers at a later date. A draft report to be discussed by the EU finance ministers today claims this practice has created a stream of "residues" that could now amount to some 10.2 per cent of Italy's GDP, posing a "danger for future expenditure."

However, the report accepts assurances that the problem will be countered by a more scrupulous system of budgetary control.

The second concern is centred on Italy's overall debt, which at around 122.7 per cent of GDP in 1997, is among the largest in the EU.

Here, Mr Ciampi has for the first time set out how the debt could be halved to 60 per cent of GDP - one of the Maastricht criteria for

monetary union - by 2009. This, he says, could be done if, over this period, Italy achieves nominal GDP growth of 4.5 per cent a year, a cost of debt at 5 per cent and a primary budget surplus (excluding interest payments) of 5.5 per cent of GDP.

Is this achievable? Giampaolo Galli, director of studies at Confindustria, the Italian employers' federation, says Italy's primary budget surplus is now 6.7 per cent of GDP and that maintaining it at 5.5 per cent for 12 years would virtually remove the scope for tax cuts and development spending. "The government would have a tough political fight on its hands to say the least."

Mr Ciampi's office disagrees. It insists that the

projections for debt reduction are "optimistic but not over-optimistic." A boost in Italy's privatisation programme - beyond what is already accounted for in the Ciampi plan - is deemed to be possible and would generate receipts to reduce the overall stock of debt.

The pressure on Italy to reduce its debt quickly is partly generated by a third concern - the potential for a rise in pensions spending in the second decade of the next century.

The judgment of the paper being submitted to EU finance ministers today is that last year's pensions reform by the government of Romano Prodi has "a medium-term effect that will last until 2007." After that, government figures show pensions spending as a proportion of GDP rising from 14.5 per cent to a peak of 16.79 per cent in 2032.

Paolo Onofri, Mr Prodi's adviser on pensions, tries to play down the concern about this.

He believes that, having first got the debt down to 60 per cent of GDP, the country will have greater scope to deal with the pensions problem than it does now.

"We can either spend more money getting ourselves through the transitional phase of difficulty regarding pensions," he says. "Or we can reduce the burden of taxes."

Here, as elsewhere, the impression that Italy wants to create is that things should get better, not worse.

James Blitz

NEWS DIGEST

Greens stay in state coalition

Greens in North Rhine-Westphalia, Germany's most populous state, voted at the weekend to remain in coalition with Social Democrats in the state government, despite their opposition to plans for an extension of the local Garzweiler open-cast lignite mine. A crisis meeting near the existing Garzweiler site avoided the collapse of a coalition which Greens and the SPD hope will also take power in Bonn after federal elections on September 27.

However, the meeting failed to resolve a policy split between the Greens and the SPD, which in North Rhine-Westphalia has based its economic policy largely around energy production, particularly coal. Greens still hope to block Garzweiler II.

The SPD meanwhile kicked off its campaign in the March 1 state elections in Lower Saxony, with opinion polls pointing to a "red-green" coalition a likely outcome of September's federal elections. But the SPD faces an internal row over the timing of its choice of candidate to run against Chancellor Helmut Kohl. Gerhard Schröder, Lower Saxony's premier, called for a decision by the party leadership earlier than March 16. *Ralph Atkins, Bonn*

CZECH POLITICS

Right forms breakaway party

The Civic Democratic party (ODS), which led the Czech Republic from its foundation in 1989 until last month, imploded at the weekend when 30 of the party's 89 deputies formed a new party called the Freedom Union party. The split marks the end of the ODS as the guiding force of the country's transformation from communism.

The split is the result of a feud between senior members of the party and its founder, Vaclav Klaus, which came to a head last month when Mr Klaus was forced to resign as prime minister over a political funding scandal. The creation of the Freedom Union party means four main parties are competing for the centre-right vote against one party, the Social Democrats, on the centre-left.

Mr Klaus has vowed to oppose the government in its vote of confidence on January 27, which means it will need the support of the Social Democrats. They will decide how to vote next weekend after the government announces its programme. *Robert Anderson, Prague*

ROMANIAN REFORMS

President backs PM

Emil Constantinescu, Romania's president, has thrown his weight behind Victor Ciorbea, prime minister, and called an emergency parliamentary session on Wednesday for a vote of confidence in the government and the reform process.

Mr Constantinescu's move appears to be an attempt to call the bluff of the Democratic party (PD), the minority coalition partner, whose demand last week for Mr Ciorbea's replacement sparked the present crisis. The president and prime minister belong to the majority party, the National Peasants.

The president said that from now on, every parliamentary vote on a new law would be considered a vote of confidence. If there were no censure motion within three days of a law being passed by parliament, he would take this as parliamentary authorisation for the government. The PD also does not want to provoke early elections, as its poll rating has slumped. *Anatol Lieven*

Turkish Welfare leaders defy party ban

By John Bartham in Ankara

Leaders of Turkey's Islamist Welfare party yesterday appeared set on a collision course with the secular state after they ignored warnings not to form a new Islamist opposition grouping.

Necmettin Erbakan, Welfare's leader, said: "This [Islamist] ideal will be fulfilled by the children of this nation, whatever the party or organisation's names. Our nation

will definitely form a great Turkey again. Ideals cannot be changed, aims cannot be changed."

The constitutional court on Friday closed Welfare for conspiring against the secular state. It also barred Mr Erbakan and five other senior Welfare members from political office for five years.

President Sileyman Demirel said: "Nobody has the right or privilege to violate the laws of the Turkish Republic. Today's parties and ones

to be formed must pay more attention to the constitutional court, the prosecutor and the public."

Newspapers yesterday quoted Mr Vural Savas, the appeals court prosecutor who led the case against Welfare, as saying: "If any party is acting as the continuation of a dissolved party, we will also seek its closure by the constitutional court."

Welfare emerged as Turkey's largest party in elections in 1995, but fell far short of a majority.

Mr Erbakan served as the country's first Islamist prime minister for 11 months until a political campaign led by the secularist army forced him from office last June. Mr Savas brought charges against Welfare at the height of the campaign, accusing the party of bringing the country to the brink of civil war.

Party members are obeying Mr Erbakan's appeals for calm, but gave him a hero's welcome at meetings over the weekend.

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Saddam out to foil UN 'detectives'

Since the beginning of the United Nations hunt for Iraq's weapons of mass destruction, Baghdad has played a "cat and mouse" game with the UN special commission charged with finding and destroying the Iraqi arsenal (Unscow).

But with every round, Iraq's focus becomes more specific and in the latest round last week barred a team of inspectors led by Scott Ritter, an American it accuses of espionage.

On Saturday President Saddam Hussein renewed his threat to halt UN inspections against taking any military action over Baghdad's deepening row with the UN.

Experts who have been involved in inspections say that what Mr Saddam is doing - and getting away with - is distracting attention from the basic objective of inspection and seeking to make the process ineffective. "Saddam has sought and de facto achieved that he can dictate that sites like presidential palaces cannot be inspected," says Tim Trevan, former senior adviser to Unscow. "And now he is dictating the composition of teams, which is like negotiating on a jury until you get the one most favourable to your case and ensuring that inspections teams are incompetent or do not have the expertise to carry out the job."

The unfortunate result, says Mr Trevan, is that the international community becomes focused on appeas-

ing Baghdad about the composition of inspection teams, rather than getting Iraq to comply with inspections.

The job of finding and destroying Iraq's arsenal involves often extraordinary detective work. It is so complex that many observers doubt it will ever prove satisfactory, since Iraq's past behaviour shows it is likely to do all it can to continue deceiving inspectors.

Critics of UN sanctions on Iraq, meanwhile, argue that inspectors are so suspicious of the Iraqi regime that inspections could go on indefinitely - and thus so could sanctions, which can be lifted only when the UN declares Iraq free of weapons of mass destruction. "The whole thing depends on Iraqi co-operation," explains Terrence Taylor, a former chief inspector who is now assistant director at London's International Institute for Strategic Studies. "You cannot do it without co-operation and that is what the current fuss is all about."

Six years after Resolution 687 was passed by the Security Council requiring Iraq to make full disclosure of its weapons of mass destruction, significant progress has been made in uncovering and destroying Iraq's ballistic missiles as well as nuclear programmes.

On chemical weapons, Iraq has yet fully to disclose its programme to develop VX, the most toxic chemical nerve agent. But the area that remains of greatest concern - and has sparked the crisis with the Security Council in recent months -



Baghdad has barred inspectors led by Scott Ritter (left), who is accused of espionage

is biological weapons, which are more dangerous than chemical agents because a lighter quantity can kill more people.

It was not until 1995 that Iraq admitted having developed biological weapons. How this admission was forced out of the Iraqis is a typical example of the elaborate detective work involved in inspections.

As is often the case, the inspectors' first hard evidence that Iraq might be developing biological warfare agents came from import documents, which showed that in 1987 and 1988 Iraq had imported 40 tonnes of a substance called growth media - which can be turned into fatal viruses and bacteria. Although the substance can be legitimately used in hospitals, the

amount bought by Iraq seemed hugely out of line with normal medical use.

The inspectors' first task was to try to account for the 40 tonnes, and the Iraqis provided documents proving the substance had all been delivered to hospitals. But Mr Taylor, for example, was given 23 documents which, after forensic checking, appeared not to be originals.

"When we asked for the originals, we were told some were lost and they had to reconstruct them," he recalls.

"When we asked how they were lost, they said they were burnt in a fire. When we asked how documents in a metal cabinet would catch fire, they said the door of the cabinet was open. Each story individually could have happened,

but not all put together."

Even before inspecting the documents, suspicions about a biological weapons programme had led inspectors to draw up a list of all facilities containing equipment that could be used to turn the growth media into bacteria and viruses or could in any way contribute to a biological weapons programme.

So they had to visit and inspect facilities ranging from detergent factories, pharmaceutical production plants and breweries to dairy factories and vegetable processing plants.

By July 1995 enough evidence had been uncovered and suspicion nurtured to warrant a confrontation with Iraqi officials, who had to admit that Iraq had indeed developed biological agents. But they insisted

they had only produced the agents. They had not filled weapons with them.

This turned out to be a half-truth. In August the same year, the defection of Hussein Kamel Hassan, Mr Saddam's son-in-law, who had been responsible for Iraq's weapons procurement programme before the Gulf war, forced the Iraqis to confess to having filled missile warheads and tactical field artillery with incapacitating crop agents.

This led UN inspectors to several sites, among them Al Hakam, one of the most important production facilities for anthrax - a living organism with fatal effects in humans and animals - which was being produced under the cover of such products as protein additives for animal foods.

If much scepticism remains today about Iraq's biological weapons, it is because the Iraqis have said they had filled 25 warheads with biological agents but claimed they had destroyed the warheads, without being able to show inspectors where or how.

Although Iraq is not accused of continuing to develop biological weapons, "we still don't know the level and range of their biological weapons, the personnel involved and where everything was carried out," says Mr Taylor. "We need to know this in order to carry out long-term monitoring. Biological weapons can be restarted in dual facilities if we loosen the grip."

Roula Khalaf

NEWS DIGEST

Khatami rival denounces US

Efforts by Iran's President Mohammad Khatami to improve relations with the US suffered a setback at the weekend when members of parliament gave a standing ovation to a speech by Ali Akbar Nateq-Nouri, the parliamentary speaker, in favour of Ayatollah Ali Khamenei, Iran's spiritual leader, following the ayatollah's scathing attacks on the US.

"All MPs started shouting 'death to America'," according to one eye-witness. Ayatollah Khamenei, in his Friday prayers speech at Tehran university attended by many of Iran's senior government officials and military officers but not Mr Khatami, said Iran did not need any talks or relations with the US.

He described the US as "the enemy of the Islamic republic, the enemy of your Islam, of your independence and of your honour". Talks with the US have no benefit for us and are harmful to us," he said. It was Ayatollah Khamenei's first public reaction to Mr Khatami's CNN broadcast on January 7, in which he called for "dialogue and understanding" and cultural exchanges with the US.

According to Iranian observers, the setback to President Khatami's policy of dialogue may not last. Mr Khatami's opponents, they say, have no policy to offer except continuing isolation for Iran, whereas he was elected to the presidency in a landslide vote by offering a new beginning and the end of isolation. *Robin Allen, Dubai*

KENYA FLOODS

Heavy rain kills at least 86

Floods caused by the heavy rain have killed at least 88 people and caused the worst damage in Kenya's recent history. In the capital Nairobi, one-third of the city's 2m population was yesterday left without fresh water after a main supply pipe snapped into two, apparently after heavy rains exposed it.

Torrential rains were expected to resume on Wednesday or Thursday and President Daniel arap Moi has appealed for international help to help flood victims and repair infrastructure. *Reuters, Nairobi*

TROOPS WITHDRAWAL

Israel delays presenting plan

Benjamin Netanyahu, Israeli prime minister, will not present Israel's plan for the scope of an overdue troop withdrawal from the occupied West Bank when he meets Bill Clinton, US president, in Washington tomorrow, the Israeli cabinet decided yesterday. Israel's reluctance to say how much land it would cede to the Palestinians has obstructed efforts to revive the Israeli-Palestinian peace process. Washington has urged Israel to carry out a "credible and significant" redeployment in the West Bank to rebuild Palestinian confidence in the talks. Yasser Arafat, Palestinian leader, is scheduled to meet Mr Clinton in Washington on Thursday.

Palestinian officials said the decision was the latest indication that Israel had no intention to try to break the deadlock in Washington this week. The cabinet will only consider the further redeployment "up to a ceiling which will not damage the vital interests of the state" after Mr Netanyahu returns from Washington. *Editorial Comment, Page 15* *Avi Machlis, Jerusalem*

Opec move to back off output decision

By Robert Corzine in London

Several Opec states are stepping up their efforts to find a politically acceptable solution that would allow the oil exporters' group to back away from a recent decision to increase its production ceiling by 10 per cent.

The decision helped drive oil prices down to their lowest levels in 45 months, a development which threatens the budgets of a number of Middle Eastern oil producers.

An emergency meeting later this month of the ministerial watchdog committee of the

Organisation of Petroleum Exporting Countries will have to agree on specific recommendations if it is to have any positive impact on the bearish sentiment pervading world oil markets, according to officials preparing for the meeting. Iran, the world's third largest oil exporter, yesterday confirmed that its oil minister would chair the meeting in Vienna on January 28.

Tehran is said to be growing more concerned about the financial impact of the slide in oil prices that followed the November meeting of the Opec, at which Saudi Arabia engineered a 10 per cent rise in

Opec's production ceiling. Although the committee cannot roll back the ceiling increase, Opec officials say it will need to agree specific steps aimed at easing the pressure on prices. "Creating a lot of market expectations and then just agreeing on generalities would be a disaster," said one Middle Eastern oil official yesterday.

The growing concern over weak oil prices was highlighted yesterday when the Gulf sultanate of Oman called for a meeting of regional oil ministers to come up with a response to weak prices. Although Oman is not an Opec member,

oil industry observers say its appeal is significant as it shows the depth of feeling in the region that the Saudis may have mistimed their initiative.

Some Opec states fear Saudi Arabia, the dominant Opec oil exporter, may dig in its heels to save itself the political embarrassment of having to drop a policy so closely identified with Riyadh.

"All countries make economic mistakes sometimes," said one Middle Eastern oil official. "But no country can afford to be obstinate in respect to the revenues of other sovereign states."

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NEWS: WORLD TRADE

Malaysia seeks Boeing delay

By Sheila McNulty
in Kuala Lumpur

Malaysia Airlines System, the national carrier, is in discussions with Boeing of the US to delay the delivery of 20 aircraft by up to five years.

The delay, involving the bulk of a 25-aircraft order said last year to be worth M\$10bn (US\$2.1bn), illustrates how severely the south-east Asian financial crisis is hitting Malaysian companies and the impact it will have on US businesses.

The US dollar price tag of the wide-bodied aircraft has risen sharply with the steep decline in the value of the ringgit against the dollar over the past six months.

Tajudin Ramli, the airline's chairman, said in an interview with the government news agency, Bernama, that Malaysia Airlines had been hit hard by the regional financial crisis. Not only was its US dollar denominated debt of close to \$8bn becoming increasingly expensive to pay, but the number of passengers had

declined. Before the crisis, the airline flew 1.5m passengers a month, but now it flew only about 1m, he said, adding that even traffic on its best performing London route had slowed. "Our revenue has come down but cost has gone up, so the impact is quite dramatic for us," he said.

Mr Tajudin expects earnings to suffer. For the year ended March 31, 1997, the airline announced a 38.1 per cent increase in full-year, pre-tax profit to a record M\$348.4m. At that time, Mr

Tajudin spoke optimistically of the airline's expansion plans, though analysts privately worried about the company's large debts and in-flight service standards. The regional slowdown has highlighted those shortcomings.

Mr Tajudin said Malaysia Airlines planned to sell four of its DC-10s and one Airbus A300 this financial year and was also considering selling six 737-500s and leasing back three.

It is also contemplating cutting some destinations on

which passenger traffic has dropped. Mr Tajudin called the Kuala Lumpur-Jeddah route "non-viable", noting that the airline had already stopped flying daily to Jeddah during Ramadan.

Philippine Airlines said last week it planned to cancel orders for four Boeing aircraft. The four B747-400 aircraft were due to be delivered to the airline in phases beginning near the end of 1999. The move was because of PAL's debts and inability to turn a profit, according to a local press report.

Australia weighs S Korea guarantee

By Owen Robinson
in Sydney

The Australian government is expected today to decide on a controversial proposal to provide emergency trade finance guarantees for some of Australia's A\$7bn (US\$4.5bn) exports to South Korea, amid growing concern about collapsing Asian export markets.

The plan, drawn up in response to pleas from Australia's commodity exporters, will top the agenda at the first meeting of the year for the cabinet of the prime minister, John Howard.

The proposal calls for invoking a "national interest" provision to provide some A\$500m in credit insurance for exporters to Korea through the Export Finance and Insurance Corporation (EFIC).

After several months of economic turmoil in Korea, EFIC has virtually reached its limit for covering exports to Korea, Australia's second largest export market after Japan. The body is government-funded, but is required under its charter to make decisions on a commercial basis.

Last week, EFIC warned banks it would start considering proposals to insure trade finance lines on a case-by-case basis and in some instances would provide cover of only 50 per cent or less of funds at risk. EFIC usually insures banks for 90 per cent, or occasionally even 100 per cent, of cover.

The cost of such insurance, in many cases, has nearly tripled from a year ago and Korean buyers have been encountering difficulty securing letters of credit.

Australian exporters have warned that without extra government guarantees they will be unable to compete with US counterparts, following Washington's move late last year to institute a special US\$1bn credit guarantee programme for agricultural exports to Korea.

NEWS DIGEST

EU to review genetic labels

European Union ministers will review proposals for labelling genetically modified food following the failure by food experts to agree on the labelling issue.

In December, the European Commission proposed protein and DNA tests to decide whether to label foods as containing genetically modified soya or maize. The Commission also agreed to say in certain cases products "may contain" genetically modified organisms.

However, consumer groups have criticised the Commission's proposals as too lax, while producers believe that the use of DNA tests will mean that too many foods are labelled as containing genetically modified organisms. Several groups have also said that the phrase "may contain" would be too vague to provide practical help for consumers.

Daniel Dombey, Brussels

■ SWINE FEVER

Germans tackle outbreak

German agriculture authorities stepped up efforts at the weekend to control an outbreak of swine fever in Mecklenburg-Vorpommern, in north-east Germany.

Across the country, 82,000 animals were expected to be slaughtered. The European Union's veterinary committee is expected to review the crisis on Wednesday but the Bonn agricultural ministry appeared confident at the weekend of avoiding EU action.

Animals from the affected region were delivered to North Rhine Westphalia and Lower Saxony and other parts of Germany where slaughter plans have also been drawn up.

Ralph Atkins, Bonn

■ ISRAELI ELECTRIC CORPORATION

Credit agreement reached

Israel Electric Corporation (IEC), the state-owned electricity supplier, has approved its first unlimited credit framework with a European bank, Deutsche Morgan Grenfell, to ease its access to European markets.

The framework will allow IEC to finance future projects involving purchases from European companies through the bank. The company also approved its first credit arrangement within the framework - DM75m (\$40m) to finance a project on a new power plant that will be carried out by Lemtesch of Germany.

Last year, the company was granted DM457m in credit from German banks, FF21m (\$1.4m) from French banks and SFR38m (\$26.3m) from Swiss banks. IEC also raised \$425m last month in a Yankee bond offering to finance part of its six-year, \$8.5bn development plan last month.

Ari Mochlis, Jerusalem

■ GERMAN TRADE

Kinkel considers Iran policy

Klaus Kinkel, German foreign minister, yesterday said Bonn was considering ways to extend new export credits to Iran. Mr Kinkel said Iran had used up its limit of DM150m (\$82m) in Hermes export credits, but German industry was putting pressure on the government to expand the credits.

Mr Kinkel was quoted by the Frankfurter Rundschau newspaper as saying the issue would play "an important role" in the next round of bilateral talks. Reuters, Bonn

Global taste for ice cream

By John Wilman,
Consumer Industries Editor

More than half the growth in the global ice cream market over the next four years will come in the developing countries of Asia, Africa and Latin America, according to a report published today by Euromonitor.

The market research company says ice cream sales - which have averaged real growth rates of more than 5 per cent a year since 1983 - will rise from \$48.5bn in 1997 to \$67.5bn by 2001.

But the fastest growth rates will be outside the developed countries, with Asian sales (excluding

Japan) set to double and those in Latin America forecast to rise by 50 per cent.

Sales in north America and western Europe, which currently account for 76 per cent of the global market, will rise less than 10 per cent over the next five years.

In these developed countries, the report says, manufacturers will have to adapt to demographic changes - with fewer children and more older people. One strategy will be to shift to more elaborate products that can compete with other forms of desserts and snacks for older customers.

The report predicts a rosy future for ice cream parlour

chains such as Baskin Robbins, owned by Allied Domecq of the UK, and Dairy Queen of the US.

The US remains the world's largest ice cream market, with 44 per cent of global sales. The average American consumes just over 20 litres a year, and spends \$32 - most of it in the country's 18,300 parlours.

Average consumption in western Europe is much lower, at 5.5 litres a head, costing \$29 a year. Italians are the region's biggest spenders, buying ice cream worth \$76 a year on average - again mostly in more than 27,700 ice cream bars.

Swedes eat the largest

amount, at nearly 16 litres a year per head - almost none of it in parlours.

Asian consumers spend barely \$1 a year on ice cream, eating just over half a litre on average. But sales have more than doubled over the last five years and Asia will overtake western Europe in volume terms by 2001.

Undeveloped, the Anglo-Dutch consumer products group, continues to dominate the global market, with over 20 per cent of sales. This is more than three times those of Nestlé, the Swiss group which is number two in the market.

Third is Baskin Robbins,

Ice cream sales

Global value	Current prices	Annual growth (%)
1997 (\$bn)	1997 (\$bn)	
1994	42.55	7.7
1995	45.53	4.6
1996	51.44	5.5
2000	58.78	6.4

Source: Euromonitor

followed by Häagen-Dazs, the luxury ice cream maker owned by Diageo, the food and drink combine.

"Ice Cream - A World Survey, Available from Euromonitor, 80 Britton Street, London EC1M 5NA. £2,950.

Worries over planned investment accord

By Guy de Jonquieres

Leading business organisations in the US and Europe are concerned that a planned agreement to promote foreign direct investment seems likely to dismantle few international barriers and may create costly new ones.

The Multilateral Agreement on Investment (MAI), being negotiated by the 29-member Organisation for Economic Co-operation and Development, has been billed as an attempt to devise rules and disciplines comparable with those for world trade.

But business representatives said they were disappointed the talks had failed so far to achieve any real liberalisation and worried the agreement might impose restrictive

labour and environmental standards on multinational companies.

"We now hear of disturbing signs that many of the elements we were hoping for may not be possible," said Herman van Karnebeek, deputy chairman of Akzo Nobel, the Dutch chemicals group, who heads the OECD business and industry advisory committee. "What then, we are beginning to ask ourselves, is in the MAI for us?"

Frans Engering, chairman of the OECD talks, conceded the draft agreement contained flaws, which required further negotiation. But he dismissed some criticisms by business organisations as misplaced, and said they had adopted a more positive attitude after meeting OECD negotiators late last week.

Nonetheless, some business representatives say unless they are satisfied with the final agreement, due to be completed by April, they will not support its approval by OECD member parliaments.

Business organisations have stepped up their lobbying partly to counter demands by trade unions and other non-government bodies for tough provisions in the MAI to enforce core labour standards and strengthen environmental safeguards.

Many of the demands are supported by the US, which is pressing hard for tighter environmental provisions in the MAI. Although business groups say they can accept some US goals, they oppose a proposal to require environmental

impact assessments of certain planned investments.

Some business lobbyists are worried that strengthening labour standards provisions in the MAI could make it harder for governments to adopt policies designed to create more flexible labour markets.

They also complain that OECD governments are still attaching reservations and exceptions to commitments to protect foreign investors and are balking at a binding undertaking to renounce abusive tax treatment of foreign-owned subsidiaries.

Mr Engering said the MAI talks now needed to move beyond technical issues to political discussions. These will be held next month, when OECD deputy ministers meet in Paris.



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US targeted in push to boost inward investment

By Stefan Wagstyl, James Buxton and Juliette Jowitt

The UK's inward investment agencies are targeting the US to offset a possible decline in capital from crisis-torn Asia.

Officials say the US, with its buoyant economy, could be a prime source of extra investment as many companies are showing interest in globalisation.

The US is already the UK's biggest inward investor with direct investments of £3.9bn (\$6.5bn) - 42 per cent of the total - in the year to last March. South Korea was second with £2.7bn and Japan third with £833m.

US companies accounted for more than half overseas company acquisitions of UK groups - a further £12.5bn.

Inward investment agencies say the US has the potential to invest even more in the UK. They plan to increase marketing in north America, but will not neglect east Asia.

"There is evidence of increasing interest in the US in investing in the UK," said John Bridge, chief executive of the Northern Development Company, the north of England investment agency which has one US office, in Chicago.

Mr Bridge said the interest was particularly strong among American motor component groups looking to establish and expand European operations in response to demands from US car-makers.

Locate in Scotland, the inward investment agency for Scotland, also intends to redouble its efforts in north America. Locate in Scotland has US offices in Stamford, Connecticut, San Mateo, California, Chicago and Houston.

The Welsh Development Agency said it allocated resources according to where opportunities arose and expected to increase its activities in north America in future. Four of its 12 overseas offices are in north America - in California, Massachusetts, Chicago and Canada.

However, inward investment officials say they will continue to encourage east Asian investment. They expect to see a continued reasonably strong flow of capital from Japan, notably reinvestment in existing plants and investments by suppliers expanding operations to keep pace with the big carmakers and electronics companies. They also say countries which have so far escaped the worst of the east Asian crisis - particularly Taiwan - could see increases in investment.

The agencies plan to try to ensure existing investors do not abandon, delay or cut commitments. Hyundai, the Korean conglomerate, has delayed completion of a £1.1bn semiconductor plant in Fife, Scotland. Samsung, another conglomerate, has postponed expansion of its electronics complex in north-east England.

Falling out damages chancellors the most

The chancellor of the exchequer did not sleep comfortably last night. That is not a guess, it is a racing certainty. For if Gordon Brown has one obsessive fear, it is that one day he will fall out seriously with the prime minister.

Were that relationship - so crucial to all British governments but particularly to this one - to disintegrate, there could be only one casualty: Mr Brown.

Less than nine months into the life of this parliament, Westminster is for the second time buzzing with rumours that Tony Blair is displeased with his oldest and closest political ally.

The damaging nature of these rumours can be measured by the force with which Donald Dewar, the Scottish secretary, denied that there was a problem: "The working relationship between the prime minister and their personal friendship is the rock on which this government stands and it is very much still there."

But the private briefings of ministers and officials close to Mr Blair tell a different story. There is no question of Mr Brown being ousted, but they freely admit the prime minister's unhappiness at a new biography of the chancellor, in whose



Damaging rumours: Tony Blair (left) is said to be displeased with Gordon Brown (right), his oldest and closest political ally

preparation Mr Brown and his close political allies had a role.

"Tony thinks the book is regrettable," said one. The book was "pointless and silly," said another.

The biography was written by journalist Paul Rotherford, a close friend of Charlie Whelan, Mr Brown's press secretary. It is perceived by some ministers, not unreasonably, as the authentic voice of a chancellor who has never recovered from the disappointment of being pipped to the post of Labour

leader by Mr Blair in 1994. The implication that Mr Brown is still crying "it should have been me" is harmful enough to him. But Mr Blair will not have been delighted to have Mr Brown's personal rivalries and animosities raked over in public, especially the chancellor's famously bitter relations with Peter Mandelson, the minister without portfolio and another of the prime minister's coterie of confidants.

So ministers have been going around for the past week sucking in their breath, wringing their hands and pondering "why Gordon allowed the book to happen". Part of this is pure schadenfreude, a concept which could have been invented with the current cabinet in mind, given the number of ministers who resent the success of their colleagues.

But whatever the motive of ministerial briefings to newspapers, the outcome is damaging to Mr Brown. Mr Blair was reported, for example, to have chastised indirectly the chancellor in

Thursday's cabinet meeting, when he urged all ministers to play as a team.

Mr Blair did say this, but the interpretation most present put on it was a warning to ministers against making disloyal statements about the controversial millennium dome and Mr Mandelson's management of it.

The Observer newspaper said it had received a briefing from "someone who has an extremely good claim to know the mind of the prime minister". This savant described the chancellor as

suffering from "psychological flaws" and poor judgment.

"If Gordon has any sense, he will ignore all that rubbish and just get on with the job," said a senior minister who counts himself as a supporter of the chancellor. But the precedents for Mr Brown shrugging it all off are not encouraging.

In the autumn, there were the faintest hints of a rift between Mr Brown and Mr Blair over the government's approach to European monetary union. Mr Brown's response was a notorious briefing to *The Times* newspaper by Mr Whelan.

According to senior ministers, the Eurosceptic tone of that briefing was designed explicitly to prove that the pro-European chancellor was at one with the more pragmatic prime minister. "We had to kill the idea that there was a problem between them," said a government member close to Mr Brown.

To many of his colleagues, changing Euro policy to dampen mischievous gossip looked like the use of sledgehammer to crack a nut. So one said last night: "Heaven only knows what he will do this time."

Robert Peston

Brussels probes BSKyB on cable

By Cathy Newman

The European Commission is conducting an investigation into the way BSKyB, the pay-TV company, supplies its programming to the cable industry.

It has asked Ofcom, the telecommunications watchdog, and the Department of Trade and Industry for information.

The inquiry follows a complaint from General Cable, the UK's fourth largest quoted cable operator. The company met a Commission representative in November to complain about the amount BSKyB charges cable operators for sports and film channels.

Both Ofcom and the DTI have had recent discussions with the European regulator about BSKyB's pricing tactics and the market in which it operates.

General Cable went to the Commission after finding the UK authorities unsympathetic to its case. The Office of Fair Trading cleared BSKyB's rate-card, which determines the company's terms of programme supply, in 1996. The decision angered the cable industry, which has held BSKyB partially responsible for mounting losses.

General Cable claims BSKyB's high charges have forced it to increase its subscription costs, which has deterred customers from signing up to cable.

Viewers receiving pay-TV by satellite pay £20.99 (\$34) for BSKyB's basic channels and one "premium" sports or film channel. Cable operators pay about £17 for a similar package. To make a profit of £10 per subscriber, General Cable charges £27 for basic channels and one premium channel.

Neither Ofcom nor the DTI would comment, but Commission sources confirmed discussions with the UK regulators and all interested parties were continuing.

BSKyB's share of an interactive television venture, British Interactive Broadcasting, has also generated controversy. BIBC, in which British Telecommunications and BSKyB both have a 32.5 per cent stake, has been held up by a Commission investigation.

The European regulator repeated its concern last week that the coalition of two dominant players such as BT and BSKyB could stifle competition.

Blair in plea to Sinn Féin on talks

By George Parker, Political Correspondent

Tony Blair will today meet Sinn Féin leaders in an attempt to maintain momentum in the Northern Ireland political talks, against a background of renewed sectarian killing in the province.

Mr Blair will urge Sinn Féin, the political wing of the Irish Republican Army, to rethink its rejection of the joint London-Dublin proposal for a settlement, which includes plans for a new set of institutions to govern the province. The talks resume today in Belfast against a background of heightened tension caused by the murder of a Catholic man by the Loyalist Volunteer Force, a breakaway terror group.

In a separate development, Ray Seitz, the former US ambassador to London, claims in a new book that John Major's former administration stopped passing sensitive information to President Clinton "because it always seemed to find its way back to the IRA".

He also accused Jean Kennedy Smith, the US ambassador to Dublin appointed by Mr Clinton, of becoming a "promotion agent" for Gerry Adams, Sinn Féin president.

The White House said it had full confidence in Mrs Kennedy Smith. The UK government said any problems between London and Washington were in the past.

The UK government yesterday announced a surprise third meeting between Mr Blair and Sinn Féin leaders.

Mr Blair's official spokesman said: "The meeting should be seen as part of the ongoing discussions between the prime minister and those involved in the talks process."

The blueprint drawn up by London and Dublin, and broadly welcomed by most other parties in the province, includes the creation of a Northern Ireland assembly, a joint north-south ministerial council and a "council of the isles" including representatives of Ireland, Northern Ireland, Scotland and Wales.

Martin McGuinness, Sinn Féin chief negotiator, said the party would go into today's talks to oppose the joint proposals. "These propositions, heads of agreement, were presented to the talks table from the barrel of unionist and loyalist guns."



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Every three months, subscribers receive the complete list of ratings, cumulatively updated, in a 300 page bound book.

FT Credit Ratings in Emerging Markets is indispensable to:

- International fund managers • Investors
- Investment advisers and lenders with exposure to emerging markets
- Traders of long-term and short-term debt
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For further information contact:

Marketing Department
FT Finance, Maple House,
159 Tottenham Court Road
London W1P 9LL, UK
Tel: +44 (0) 171 896 2316
Fax: +44 (0) 171 896 2319



DIVIDEND & INTEREST PAYMENTS

TODAY

Abbey National Treasury
5% Gtd Nts 1999 \$53.75
Do Gtd Cap FRN 2001
L86493.0
Anglian Water 11.5p
Banco Real 7 3/4% Nts 2000
\$393.75
Do 8 1/4% Nts 2001 \$406.25
Belhaven Brewery 2.1p
Bellway 6.5p
Bett Brothers 4.85p
Courtauld 4.6p
Exchequer 9 1/4% 1998
£4.875
Fenner 3.5p
Helfax 11% Sb bd 2014
£1100.0
Lloyds TSB FRN 1998
£188.02
Do Sb FRN 2006 £19.74
Mitsui Int Fxd/FRN 1999
Y222760.0

Northern Investors 2p
Oriental Restaurant 1.2p
SCA 4 1/4% Gtd Cv Bd 2004
£242.50
Telefonica de Espana
Plc 40.0
Treasury 2% IL 2006 £2.25
Utilitec 0.4p
Whitbread 6.82p

TOMORROW

Assoc Nursing Services
1.05p
BTM Fin (Curacao) Dual

Basis Gtd Bd 2004 \$56250.0
Do Dual Basis Gtd Bd 2006
\$80000.0
Bradford & Bingley Bldg
Scty 11 1/4% Perm Int Brg
£581.25
British Steel 11 1/4% Db 2016
£5.75
Concentric 5.14p
Crown Eyeglass 4.5p
DBS Mngmnt 1.4p
Ferraris 2p
Hazelwood Foods 2.6p
Do 7 1/4% Cm Ptg Pl 2.625p
Hogg Robinson 4.07p
M & G Inc Inv Tst 1.15p
Do Geared Units 1.15p
Do Package Units 1.15p
Shelton (Martin) 1.25p
Tams (John) 0.5p
York Waterworks 4.55p
Do A 4.55p

WEDNESDAY

JANUARY 21
Abacus Polar 4p
Airsprung Furniture
1.95p
Asset Mngmnt Inv
1.5p
Aldins (WS) 2.7p
BAA 4.9p
BBP 3.8p
Bath Press 0.19p
Berleford 4.5p

Osborne & Little 9p
Thorn B 0.562602p

THURSDAY

JANUARY 22
Car Group 3.12p
Crithley 4.5p
Dailywin 0.3162p
Dairy Crest 3.5p
Enso 0.25p
Exchequer 12% 1999/2002
£8.0
Invesco Blue Chip Tst
Treasury 4 1/4% IL 2030
£2.3953
Societe Generale Equity (CI)
High Yld Pl Equity Rd
18.491p
Sweden 13 1/4% Ln 2010
£67.50
Treasury 11 1/4% 2003/07
£5.875

FRIDAY

JANUARY 23
Abacus Polar 4p
Airsprung Furniture
1.95p
Asset Mngmnt Inv
1.5p
Aldins (WS) 2.7p
BAA 4.9p
BBP 3.8p
Bath Press 0.19p
Berleford 4.5p

Break for the Border 0.7p
Car's Milling 8.5p
Close Bros Protected VCT
1.1p
Close Bros Venture Cap Tst
2.2p
Do C 2p
Denby 3p
Dragons Health Clubs 0.68p
Drummond 0.5p
Foreign & Colonial Smaller
Co's 1p
Golden Castle Euro-Fin Gtd
Asset-Bdld FRN 2004
£154.68
IMP Int IR2.42p
John Lewis 10 1/4% Bd 1998
£1037.50
Do 10 1/4% Bd 2014 £1050.0
Martin Currie Smaller Co's
Tst 1.2p
Scottish Oriental Smaller
Co's Tst 0.67p
Stirling 0.68p
Tex 4p
Togo Inv 7% Bd 2002
Y700000.0
YTB Fin (Aruba) Gtd Sb FRN
2003 \$1638.75
Yorkshire Water 6.15p

SUNDAY

JANUARY 25
Housing Sec 8 1/4% Db 2019
£4.1875
Leicester 7% Ln 2019 £3.50
Safford 7% Ln 2019 £3.50

UK COMPANIES

TODAY

COMPANY MEETINGS:
Cesalt, 1, Paternoster Row,
E.C., 12.00
BOARD MEETINGS:
Finair
Fairfield Enterprise
Cardiff Property
Interims:
Adcoene
Ashtead
MTIE

TOMORROW
COMPANY MEETINGS:
Abraxas High Inc Tst, 39,
Charterhouse Street, E.C.,
12.30
Concentric, Belfry Hotel,
Lichfield Road, Walsley, 2.30
BOARD MEETINGS:
Finair
Usher of Trowbridge

WEDNESDAY
JANUARY 21
COMPANY MEETINGS:
Alvis, Savoy Hotel, Strand,
W.C., 12.00
American Opportunity Tst,
10, Park Place, S.W., 12.00
Aron Rubber, Bath Spa
Hotel, Sydney Road, Bath,
2.30
Berleford, Radisson SAS
Portman Hotel, 22, Portman
Square, W., 12.00
BOARD MEETINGS:
Finair
Lorlan
Ultraframe
Watson & Philip

Interims:
SFI
THURSDAY
JANUARY 22
COMPANY MEETINGS:
Airtours, Hilton Hotel,
Manchester Airport, 11.30
Burton, London Marriott
Hotel, 10, Grosvenor Square,
W., 11.00
Euromoney Publications,
London Capital Club, 15,
Abchurch Lane, E.C., 2.30
MESC, BAFTA, 195,
Piccadilly, W., 12.00
MY Higgs, Windlebrook
House, Guildford Road,
Bagshot, Surrey, 10.00
BOARD MEETINGS:
Finair
First Leisure
Lorlan
Interims:
MacKay Sec
Merzies (John)
Ransom (Wm)

FRIDAY
JANUARY 23
COMPANY MEETINGS:
Denby, Exchange House,
Primrose Street, E.C., 10.30
BOARD MEETINGS:
Interims:
WF Electrical
Company meetings are annual
general meetings unless
otherwise stated.
Reports and accounts are not
available until six weeks after
the board meeting to approve
preliminary results. This list is
not comprehensive since
companies are not obliged to
notify the Stock Exchange of
announcements.

CONFERENCES & EXHIBITIONS

Conferences & Exhibitions

January 26-28

Smartex 98
Smart Cards
Another expensive Smart
Card Show? Think Again!
Conference: For 1/3 of the fees
for similar events, you can
participate in a conference
addressing real issues and
opportunities facing the industry.
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and aisles of boring stands. We'll
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life applications, showing this
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JANUARY 26-28
Understanding Derivatives
Fundamentals to Derivatives Markets.
How to hedge or leverage exposure on
interest rates, currencies, equities and
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JANUARY 27-28
New Sourcing Strategies for
The Finance Function
25% of finance directors outsource part
of the finance function. This conference
examines these new sourcing strategies
and examines potential cost savings and
improved service levels.
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Email: jane.mills@business-intelligence.co.uk

JANUARY 28 1998
Export Seminar
"Every Cloud Has a Silver Lining"
With the Tiger coming to the Arab
states £100m UK exports in 1997.
Stable growth, diversification,
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opportunities.
Fee: £40 (inc. vat).
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Fax: 0171 396 4499

JANUARY 28-30
Essentials of Derivatives Risk
Management
Why are banks so fragile?
There are all susceptible to derivatives risk.
This course is not about rocket science
maths. It offers a useful checklist
approach on how to manage and control
the operational risk of derivatives. While
no background in derivatives is necessary,
the course is suitable for all individuals
involved in derivatives transactions.
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Conferences & Exhibitions

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Maximising Profitability
The Wall Street Journal Europe's
Third Annual Fund Management
Conference will focus on:
• Markets destined for growth
• Impact of EMU on distribution
• Developing local distribution
alliances
• Intermediary networks in Europe
• Outsourcing strategies
• The client-manager relationship
• Profitability in tax driven retail
products
• Wealth management
Contact:
Flora Stevens, Dow Jones
Tel: +44 (0) 171 832 9982
Fax: +44 (0) 171 832 9940
E-mail: conference@europa.dowjones.com

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FEBRUARY 3-4
Corporate Intranet 98
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you need to prepare for the digital
economy. Corporate Intranet 98 covers
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involved in developing intranet/
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leads you from Introduction to KM to
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Pentel, Norwegian Technology Institute,
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CEBIS, Cranfield School of Management,
KPMG, ICL, Management Centre Europe,
Coopers & Lybrand, Workspace
International, Conduat Communications,
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f: 01895 813095, info@unicom.co.uk

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IT Investment
Looking beyond the financial issues to the
intangible softer benefits, find out how to
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technologies, major infrastructure
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The 14th Annual FT London
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The changing role of the car is the theme
of this major FT automotive event. The Rt
Hon Dr Gavin Strang MP, Minister for
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and other speakers include Professor Gerald
Rhyds OBE, Cardiff Business School and
Mr Joachim Scholten, BMW AG.
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This international conference appraises
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MANAGEMENT

Boots has learnt the value of looking behind the cosmetics of earnings figures alone, says Tony Jackson

Registering the value of cash



cashflows from its individual businesses.

Then came the Ward White debacle, and action became imperative. Boots turned to the US consultant Marakon, whose value-based management system was duly adopted.

The system starts, Mr Thompson says, by analysing the competitive position according to the so-called "five forces" of the Harvard academic Michael Porter. That is then checked and rechecked in terms of its financial characteristics.

"Through that process," he

says, "you identify the five or six things which really make a difference to the business, and which of those are most capable of being levered by management. Out of that come the alternatives."

This last point is what Boots terms its secret weapon. Any proposal to the board, as in the power station case, must contain at least three alternatives.

"The managers are clear," Lord Blyth says, "that they have a contract with me to maximise value, and that I will be dissatisfied if I only see one option. What

we don't want is to be presented with chosen solutions graven on tablets of stone."

Given Boots' length of experience with the system, it is natural to ask what problems they met along the way. The first, Mr Thompson says, was capturing hearts and minds. "We've had a lot of difficulty," he says, "with people within Boots who were brought up to believe in things like market share and sales per square foot."

The difficulty is in inverse proportion to the success of the business. "If a business formula has

worked for a number of years, it's human nature to say if it ain't broke, don't fix it."

But it is essential, Lord Blyth says, to apply the discipline without exceptions. "If you don't pursue it absolutely from the top of the organisation down, it will fail. The buggers will always find a way to duck through a side door if you give them half a chance."

Boots originally planned to link senior managers' bonuses to the system after three years. In the event, it did so after one. "You need to get remuneration tied in very early," Lord Blyth says. "Otherwise, you're sending conflicting messages."

Some other tips from the Boots stable:

● Forget about budgeting. It represents a rival approach to value-based strategic planning, and works on a shorter timescale.

● Abandon resource allocation. The logic says that if a proposal adds value, it should be pursued regardless of demands for capital elsewhere in the group.

● Forget the distinction between capital and revenue expenditure. "Whether you're building a plant or investing in Christmas advertising," Lord Blyth says, "it's all cash, and requires a return."

● Do not be diverted by short-term financial blips. The odds are they do not affect the future. "You may worry about a bad Christmas," Lord Blyth says, "but you must not do anything which will jeopardise 1999."

● Remember that the key to shareholder value is giving investors pleasant surprises. That, Boots says, is how it has managed to double its value in the past four years, while the market has only doubled in six. Those surprises mostly come from your best businesses. "If you look at the average media report on a company," Lord Blyth says, "you would infer management effort should be focused on fixing problems. It should be focused absolutely on improving returns on businesses which are doing well."

● Be realistic about the fact that not everyone has the intellect to grasp the system. "We've come to understand," says Lord Blyth, "that at some point in the management chain, you have to convert value creation into analogues: contribution per square metre of store space, output of plastic bottles per machine or whatever. The trick is to make sure that the analogues are aligned with the basic principle."

● Finally, accept that it is a very long process. "We're still only learning about this," Mr Thompson says. "We're value-friendly. We're by no means value-maximising."

have been around a long time. Another such discipline is cashflow. In the aftermath of Ward White, Lord Blyth says,

"we were obsessed with getting everything on to a cash flow management basis; that, and how to recover our position with institutional investors."

The effect of a business blunder was to strengthen the case for change. "The upside of Ward White," as Lord Blyth puts it, "was having a bunch of people in the same place at the same time, all of whom believed the same things."

MY SECRET WEAPON

Peter Mead on principles

It's not that we are a soft touch

Peter Mead, who began his career as a messenger, co-founded Abbot Mead Vickers BBDO in 1977. He is chairman of the UK-based advertising and media group, which made pre-tax profits of £14.5m in 1996.



It all starts with a central set of beliefs and principles. If you try to do good work and look

after your people, then success and money will follow. A lot of people say "of course you make money by looking after people". But they put money first. It sounds a semantic point but the order is important.

I would hate this to sound like a moral crusade. It really isn't. Part of the philosophy of the place is that you must validate your beliefs by making money. Although it is the third element of the mix, it has to be there. Otherwise any fools can indulge themselves.

Over the years, I have learnt that if you treat people properly, if it is commercially sensible, in the recession, we took the view that our people were not a flexible overhead and we did not cut our staffing levels.

It is not that we are a soft touch and no one gets fired here. That is not true. People have been fired here. But when that happens, they have always been treated fairly.

I take the view that we are always at least 50 per cent responsible for them working here. Why should it always be seen as their fault and not our fault? In football it is astonishing how football chairmen have fired managers with impunity. If the chairman was picking those managers, where does his share of the responsibility lie?

In the '80s and early '90s, one felt a bit of a dinosaur. Everyone was talking about downsizing, re-engineering and all those techniques. In the '90s achievement was all and the means of achievement was nothing. Now there is a greater degree of sensitivity. The pendulum is beginning to swing back the other way.

It is all about capturing an unfair share of people's heads and hearts. If 50 per cent of the time, people are worrying about losing their jobs, you need twice as many of them. If you can increase the amount of time they are thinking about work to 75 per cent, the level of productivity is mind-blowing.

There are not enough managers who understand the ephemeral part of the balance

sheet as well as the real side of the balance sheet. For instance, they say that moving to a new building will cost an extra overhead. But when they need to ask "how much better are people going to feel?" That affects their productivity and well-being. We firmly believe that. But it is difficult to measure. It is all about instinct.

Instinct is a much underrated management technique these days. That is because it can't be measured, evaluated or written down. In this age of management consultants and MBAs, it is becoming a weapon that is falling into disuse. But I respect gut feel in people. It is one thing I don't feel I can argue with.

Business is not going to work with everybody. There are managers who believe in keeping people off balance and at odds with each other. They believe that out of conflict comes an anxiety that drives their business forward. I happen to believe the reverse.

I suspect one of the great management techniques is consistency, letting people know where they are. Even if you are unpleasant, as long as you are consistently unpleasant, people know where they are. They are not off balance all the time.

People who don't respond to our sort of philosophy tend not to come here. There are people who say it is all too comfortable and there is not enough conflict. They are not going to be seduced by what they believe is a rather easy way of the world.

The real danger for us is complacency. The greatest danger is that you start to believe your own publicity. It is not as if you can relax. Every day you have to take the view that it can all go through your fingers like sand. You have to be self-critical. You constantly have to try to reassess what you believe in.

Interview by Vanessa Houlder

From hindsight to forecasts

"The strategic fit was perfectly sound," he says, "but the price was delivered by a very inaccurate forecasting model. We could do our forecasts very much better today, because we are focused on how you create value."

"Previously, we looked at the likely growth in the market, what share we could take of that, what it would deliver in earnings and whether the deal would be earnings neutral."

Frankly, that was all we were bothered about."

Now, Boots claims to care little about historic data. "We manage the business entirely through forecasts these days," Mr Thompson says, "and that means looking at the range of possibilities which might occur."

A crucial part is studying the competitive forces in the market place, and the strengths and weaknesses of individual

players. With Ward White, Lord Blyth says, Boots badly underestimated the ability of the dominant retailer in the UK to do-it-yourself market to defend its position against Ward White's DIY subsidiary.

This approach is not unique to value-based management. But the system itself, Mr Thompson says, is nothing new. It simply brings together various managerial disciplines which

have been around a long time.

Another such discipline is cashflow. In the aftermath of Ward White, Lord Blyth says, "we were obsessed with getting everything on to a cash flow management basis; that, and how to recover our position with institutional investors."

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FINANCIAL TIMES
Finance

A lesson in transactions from the wallet test

How much will you pay me for the contents of my wallet? It would be sensible to begin by considering how much cash someone like me would be likely to have on them at any time. Fifty pounds, perhaps. So you should knock off a bit to compensate for the uncertainty and give you a margin for profit. Why don't you offer £35?

Some further thought - any further thought - should warn you that this is not a sensible proposal to make. If I accept your offer with alacrity, you can be sure that there is less than £35 in my wallet. If, on the other hand, I turn the offer down, then the likely reason is that my wallet has more than £35 in it. This is a no-win transaction for you. At any price at which I am willing to sell, you ought not to be willing to buy.

But no one, you might think, would be foolish enough to get involved in a financial transaction of this kind. After all, my example is simply a pointed demonstration of the first lesson in finance: do not buy a financial instrument from someone who is better informed about its value than you are.

There is an elaborately documented modern theory of transactions in markets subject to asymmetric information which elucidates more clearly the problems which such issues raise. But the basic principles have been familiar for centuries, if not millennia.

Still, these principles seem to be easily forgotten in every wave of speculative euphoria. They were forgotten by Peregrine Securities when it bet the bank's capital in the reassuringly named Steady Safe Bus and taxi company in Indonesia.

They were forgotten by western investors when they jumped into emerging market bonds. And by many of those who believed - no doubt correctly - that China and the countries around it are the wave of the future.



John Kay

Michael Milkin made his reputation, and his fortune, from a piece of research which showed that the extra returns from low-quality debt were more than enough to compensate for the additional risks involved. But the theory of markets subject to asymmetric information would even then have explained why there was a crucial difference between the junk bond market he analysed and the one he invented.

Traditionally, most junk paper was not intended to be junk. It was debt incurred by government when the power of the state had seemed impregnable: securities issued by companies with fine reputations and credit ratings which had subsequently fallen on hard times. Such bonds were traded in a secondary market between people who were more or less equally ignorant about the likelihood of a return of the Romanovs to the throne.

You would expect the price of such junk to reflect a general expectation within the market of the probability that the debt would indeed be repaid. People who were more than averagely optimistic would buy from people who were more than averagely pessimistic. If there were no systematic bias in these expectations, or in the way in which the market worked, then the return

from a diversified portfolio of junk bonds should be much the same as the return from a portfolio of blue chips.

But there are at least two possible sources of such systematic bias. It is likely that even a diversified portfolio of junk bonds will be riskier than a comparable portfolio of investment grade securities, and with greater risk comes greater reward. To compare returns properly, they need to be adjusted for differences in risk.

But there is another reason why even risk-adjusted returns from junk

You should always ask why a well-informed vendor is willing to sell speculative paper at that price

bonds may be high. There are a lot of people who exclude themselves entirely from the market for low quality paper - regardless of its price. After all, that is what the phrase "investment grade" means: bonds that are acceptable to buy and you won't be fired for purchasing them, even if they go wrong.

But if the security is below investment grade, everyone will find it easy, in the event of failure, to be wise after the event. Better not to have such securities in your portfolio. And if demand for junk securities is limited because most investing institutions stay away, the price will be lower and the expected rewards greater: just as the profits from broiler-keeping and drug dealing are greater than from

other businesses because many people are unwilling to engage in these professions, or are frightened off.

The more recent market for junk is rather different. Issuing houses - like Drexel Burnham Lambert or Peregrine Securities - were selling paper that was junk from the day of its issue. Now there is a big difference between buying junk in a primary market and buying it in a secondary market.

It is one thing for you and me to trade paper whose value is contingent on the prosperity of the tsar. It is quite another to buy such securities from the tsar himself. You should expect that he will be over-optimistic about his prospects of retaining the throne. And even if he is entirely realistic in his own personal projections, you can be sure that he will be over-optimistic in describing them to prospective owners of his debts.

Which is why engaging in such transactions is like buying the contents of my wallet. The asymmetry of information between the parties is fundamental to the transaction. It may often be the main reason why the transaction occurs. If you are tempted to buy speculative paper, you should always ask why a well-informed vendor is willing to sell at that price.

And that is why there is rarely a sustainable market for securities which are priced to reflect their high risk. There are good reasons why the spreads on securities may not exactly match the risks involved even in otherwise efficient markets. If you must back a horse, don't bet with the trainer. Especially if the trainer's horses are described as tigers.

The author is the Peter Moors director of the Said Business School at Oxford University and a director of London Economics. This column appears fortnightly.

Building a name for yourself

Norma Cohen on whether property companies can develop strong brands

From sports shoes to accountancy services to pop groups one thing really matters: brand name. It is the intangible that adds value to the good or service, an intangible increasingly being translated into a cash value in corporate balance sheets.

But some goods and services have proved impervious to branding efforts so far. One that stands out is property.

Conventional wisdom in real estate has long held that buildings are successful or not according to their own merit. Properties are too distinct, too different from each other, to allow the growth of a brand image. Properties are not fungible: even two identical buildings would have different values depending on their location.

There is no such thing as branding in property, says Mike Slade, chief executive of Helical Bar, a UK property developer with more than 30 years of experience. "I defy you to look at any out-of-town retail park and tell me who does what," Mr Slade argues that one shopping centre is much like another in construction and design. "Any branding is that which the retailer who occupies the site brings," he says.

Mr Slade's view has been the prevailing one. And for good reasons. A quick look at the portfolios of any of the larger UK property companies reveals assets so diverse they could belong to any developer.

But property companies and their advisers are beginning to think more closely about branding. Stephen Barter, head of consulting at chartered surveyors Richard Ellis, says that for the first time serious thought is being given to the issue.

So long as property companies are seen only as packaged income streams, like government bonds, the brand question does not arise. Once they are viewed as companies, then the considerations that arise for, say, car manufacturers or cleaning services, are relevant for them too.

These include a manufacturing-production capability, distribution, marketing, sales and customer service. Then branding becomes an issue.

"The point of branding is to identify the particular thing you are selling in people's minds so that they remember it," says David Halgh, managing director at Brand Finance, a brand valuation company. "It should simplify the consumer's decision-making process."

The question is: what exactly does it mean to be branded? The property itself? Or the environment around



Even those who do not think property can be branded agree that at least one name does amount to a property brand: Paul Reichmann, developer of London's Canary Wharf (left) and Toronto's One Canada Place

that property? And to whom is the brand image directed? The consumer – the tenant, in the case of property – or the provider of capital on whom the property company depends?

"Normally people talk about branding in a consumer context," Mr Halgh says. "But there are other contexts." Business-to-business branding, for example, is increasingly important.

Stuart Lipton, chief executive of Stanhope, builders of the Broadgate complex in the City of London and of the new development at Paternoster Square, says he has attempted to develop a Stanhope brand. This is associated with the sense of community generated by a certain style of office and retail complex that makes people more comfortable in their working environment.

Arlington Securities, one of Britain's premier developers of business parks, has striven for an appearance of continuity throughout its portfolio. Although individual business properties are built for each customer, the company uses a shortlist of suppliers of building materials so that the range of building tiles, for example, on one estate is the same as at the others. Each features a lake in the centre and the same approach to landscaping.

Even those who do not believe property can normally be branded, concede there is one name that does amount to a brand: Paul Reichmann. The Canada-based developer of Canary Wharf in London is associ-

ated with blue-chip properties that raise standards for buildings all around them.

"Paul Reichmann is the mega-brand," says Philip Wright, global head of the shareholder value unit at Price Waterhouse in London. "Reichmann says: 'I change the face of cities.' In order to be a brand, it must add value to the rental price," says Mr Wright. In the case of the Reichmann developments, the quality of the properties increases rents. Jeremy Newsum, chief executive of Grosvenor Estates, the company that manages the lands of the Duke of Westminster, says: "I am absolutely convinced that there is such a thing as a Grosvenor brand name. We're spending quite a bit of time thinking about what it is."

The company has recently made investments in Asia in partnership with some of the most prestigious investors there, a decision Mr Newsum believes was aided by the Grosvenor brand name. "It's the heritage, the quality of the assets, and the integrity of management that go into the brand," he says.

William Saunders, founder of New Mexico-based Security Capital Group, one of the US's largest property companies, says the branding is not in the property itself, but in the service the operator wraps around it.

"Property is really a service industry," he argues. His company's strategy has been to offer a full range of maintenance and support services to occupiers of its sites. For example,

tenants of Security Capital's industrial warehouse properties are offered computerised inventory control systems. These are designed to ensure that tenants never have to send a truck out of the warehouse with less than a full load.

When a tenant wants a new, larger facility, Mr Saunders hopes he will first turn to Security Capital to see whether stock is available.

That is one way of adding value through a brand, says Mr Wright. But, he argues, branding can have the same beneficial effect even when tenants are unaware of it.

Providers of capital are equally appropriate targets of branding, according to Mr Wright. For instance, investors associate Land Securities, the UK's largest listed property company, with conservative and judicious finance and investment. Chelmsfield is associated with a more entrepreneurial style of management and development. In that case it would be "the development potential of the company you would be branding", he says. "The provider of capital will pay for the brand if he thinks he will get more in the end for it."

But how much more is a subject of debate. Mr Halgh believes that, with property, added value from a brand image is limited. "In most industries, there is an element of name recognition that helps you to do more and charge more for it. In some industries, it's so obvious it's tangible," he says. "In property, it probably is there, but much less so."

Why customers are rocking in the aisles

Richard Tomkins on how US retailers are extending their products to the in-store music

You like the brassy, ma'am? Then why not buy the CD?"

Most people are familiar with the kind of background music that subliminally sets the tone of shops, restaurants and other retail outlets, but few would have thought that anyone would want to buy an album of it.

In the US, however, piped music CDs are becoming big business. Growing numbers of retailers are finding that customers enjoy that overhead sound so much that they actually want to hear it at home.

One of the first retailers to make the discovery was Victoria's Secret, a lingerie company with nearly 800 stores across the US. In 1988, Victoria's Secret started selling compact disc and tape cassette compilations of the classical music playing in its stores.

To say the venture was a success would be an understatement. Astonishingly, of the 11 classical albums in history that have sold more than 1m copies in the US, five are from the Victoria's Secret collection.

Other US retailers that have witnessed the Victoria's Secret phenomenon are now releasing their own albums, usually featuring edited highlights from the pop, rock or jazz music playing in their stores.

Much of the music is "retro", harking back to earlier eras. "Martini Lounge", the latest CD from Pottery Barn, a home furnishings chain, features tracks such as "Fever" by Peggy Lee and "Ain't That a Kick in the Head" by Dean Martin.

But some companies use more up-to-date material. The Guess? clothing chain's CD, selling in its 80 US stores and through its web



Keynote: furniture store Pottery Barn's latest offering

site, features tracks by artists such as Blur, London Suede, Bomb the Bass and Hooverphonic.

Old Navy, a clothing chain owned by the Gap group, has so many own-label titles in its stores – about 12, at the last count – that it has set up listening booths so that customers can sample them. Its CDs and tapes include rock and roll compilations, dance collections and Motown hits.

Starbucks, a big coffee house chain, has produced 16 jazz, blues and world music titles since March 1995, and now has its own in-house music department to make CDs and background music programming. But many other retailers hire AEI Music, a Seattle-based in-store music company, to do the work for them.

Pam Melin, AEI's director of consumer products, says retailers have a strong incentive to sell own-label CDs because the albums carry profit margins of 70 per cent or more and take up very little space.

"But for many of our clients, the margins are considered secondary to the benefits of having their signature sound in the customer's home," Ms Melin says. "It really is a unique way for retailers to extend their brand name and their brand identity into the homes of their customers."

One obvious reason why people buy these CDs is that retailers, knowing their customers' taste in clothes, find it easy to gauge their taste in music.

People who shop in Gap's Banana Republic clothing chain, for example, are typically baby boomers, so it is a safe bet that they will like the 1960s tracks by Lulu, The Troggs and Strawberry Alarm Clock on the store's "In the Mix" CD.

In-store CDs also make life easy for people who do not know what to buy when they enter a record store, or do not like visiting them at all, Ms Melin says.

"It's a very comfortable, natural, impulse purchase to be in a clothing store buying a few things, see a CD at the point of sale, and say: 'Wow, yeah, I enjoy the music that's playing in here. Wouldn't it be great to have that at home?'"

Telemarketing hang-ups

US phones are going unanswered. Victoria Griffith explains

Pamela Docters, a New Jersey mother of three, doesn't answer her telephone most weekday evenings. She is avoiding the telemarketers. "That's when they figure you'll be at home," she explains.

Lisa Waugh of CNN, the cable news station, says she and her husband have two telephone numbers – one is unlisted and given to friends and family, the other they do not answer. "People can leave a message if they need to," says Ms Waugh. "But it's nice to avoid those pesky folks asking for money or trying to sell you something."

Just as door-to-door salesmen were once maligned, telemarketers are the new people Americans love to hate. Resentment has risen to such a point it may be threatening the industry.

Endy Oetting, telemarketing consultant, predicts that after years of tremendous growth, the business may be reaching saturation in the US. "I think we're nearing the point that a correction will be necessary," he says.

If so, telemarketing will become a victim of its own success. In the US, where the industry is most established, consumers bought \$174bn (\$108.7bn) in goods from telemarketers in 1996, compared with \$135bn in 1992, according to the Direct Marketing Association.

Established telemarketers worry that numbers like these have attracted inexperienced businesses into the arena. "There are a lot of questionable practices out there that have given telemarketers a bad name," says Betty Sweeney, vice-president of new business development for the

Bank of New York, a heavy telemarketer.

While many people complain about being disturbed at home, most Americans have purchased at least a few products over the telephone. Telemarketers say the way pitches are made is key to success. "People make so many mistakes in this area," complains Joyce Covatto, president of Teletrom, a big telemarketing outsourcing company.

Common errors, say consultants, include calling the same person too many times and not knowing enough about the potential customer. "You should know the person's age, location and occupation wherever possible, so that you're not offering a frequent-flyer credit card to someone who has never set foot on an aeroplane," says Ms Covatto.

Ill-prepared telemarketers both the pronunciation of names and read in a monotone from a prepared script. Mr Oetting says he received a call recently from a telemarketer offering supplemental medical insurance. When he said he already had such coverage, the woman continued as if he had not spoken. "She should have asked me what product I was using and then explained how their product was superior," says Mr Oetting. "She hadn't been prepared for my answer."

Teletrom puts customers into three categories: the alphas, people who are happy to receive calls; the betas, those who are annoyed but willing to listen; and the deltas, those not open to telephone pitches. Says Ms Covatto: "The deltas should be left alone."

Tim Jackson • On the Web

Online translation free for all

It is easy to make fun of the French politicians who rail at the Anglocentrism of the web, but you can understand how they feel. The position of linguistic primacy has been increased tremendously by the Internet. Even the European Union, formerly a bastion of Francophony, turns increasingly to English.

A helpful defence for speakers of other European languages was covered in this column last year. Alph.com, a company based in San Francisco, maintains a stable of 3,000 freelance translators dealing in dozens of different language pairs who can turn around documents by e-mail in hours to clients worldwide.

But Alph's service offers little to the casual web surfer, trying to do research among the millions of English or tens of thousands of other-language web pages. Now there is an alterna-

tive. AltaVista, the search engine service created by Digital Equipment, launched an online translation service last month which is free. Accessible at www.altavista.digital.com, the service can translate text on the fly, back and forth between English and Spanish, Portuguese, Italian, German and French. It can translate 500-word gobblets of text that you cut and paste on to a web form.

The translation is done by machine, using software provided by Sysran, a French company that mainly serves governments and large corporate clients.

When I looked at the Friday afternoon news from Agence France-Presse on the Le Monde web site (www.lemonde.fr), there was an interesting nugget from Baghdad. This is how it came out in English: "L'equipe with experts of UNO directed by the American Scott Ritter left Baghdad Friday without to have achieved its mission, whereas two permanent Member States of the Security Council proposed to

increase their participation in the missions of disarmament."

To anyone unfamiliar with machine translation, this may seem laughably lame. But it is not bad at all. "Disarmament" was untranslated presumably as it didn't appear in the Sysran dictionary; "whereas" was probably written as "while" by an English-speaking journalist. But the item is comprehensible. It is clearly a useful service.

The idea of offering free machine translation across the web came from the web came from the Sysran officer of AltaVista – and bore fruit in only three months when he was introduced to someone from Sysran.

AltaVista has several good ideas for best use of the service. As well as translating technical papers and news bulletins, it recommends users to translate a query into another language, search for web pages in that language, and translate again. That allows users to

study foreign-language sites in their own language.

Sysran's alliance with AltaVista has two strong points. It brings the company years of user feedback in only weeks. And the site promises revenue. Enterprising webmasters have already put buttons on their web pages that generate automated translations, without requiring the surfer to go to the AltaVista site and back. Then there is advertising. The going rate for page impressions varies between \$10 and \$100 per 1,000. If the service became popular outside the English-speaking world, it may yield tens of thousands of dollars a day in ad sales.

The concern of Sysran and other translation software companies must be that ad revenue will be dwarfed by the possible losses of sales of a desktop product. But that is probably wrong. Instant, zero-cost translation makes the product available to millions of users who would otherwise never contemplate buying it.

tim.jackson@gobox.com

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Access to the internet and e-mail from bedrooms will be the single most important influence on business travellers in their choice of a hotel, a report predicts. At present, high-tech communications are not even ranked in their top 10 priorities. The survey, conducted on behalf of the Inter-Continental hotel chain, found the three most persuasive factors at present were a quiet room, clean surroundings and control over room temperature and humidity. In future, the report predicts, the safety of

the hotel's location, and the availability of non-smoking rooms will rank second and third respectively.

Canada storms

Following the recent ice storm in eastern Canada, travellers to Montreal should check the latest advice from the UK Foreign Office (www.fco.gov.uk). Downtown Montreal has been badly disrupted, and many rural areas could be without power for several weeks. Life is almost back to normal in Ottawa, but at the end of last week the

capital's rail link with Montreal remained closed.

Heathrow link

A new rail link between Heathrow Airport and London's Paddington Station opens today. Journey time will be 30 minutes to Terminals 1, 2 and 3, and 35 minutes to Terminal 4. Called Fast Train, the service is free until Sunday night for anyone with a valid air ticket; after that, a one-way fare of £5 applies. This is a truncated version of the long-planned Heathrow Express, which is scheduled to begin in June and take only 15 minutes. When the

full service begins, trains will run straight to the terminal.

Electronic tickets

British Airways is to introduce electronic ticketing for flights between the UK and Germany by the end of this month - its first offer of ticketless travel to destinations outside the UK. BA's partner, Deutsche BA, will provide the same service. Passengers carrying only hand luggage will be able to get boarding passes from machines at most of BA's UK departure airports, as well as in seven airports in Germany - at Berlin, Frankfurt, Cologne,

Munich, Düsseldorf, Hamburg and Stuttgart. The airline is expected to extend the option to its French services in the next few months.

Beirut stopover

Business travellers keen to take a look at the renaissance of Beirut are offered a one-night stopover by Middle East Airways. For \$75 (€65), passengers flying to other destinations in the region can break their journey and stay in a four-star hotel. Fares cover airport transfers and a choice between dinner or a visit to the theatre or casino.

Debonair hub

Low-cost carrier Debonair is to set up base in Calabria, southern Italy. On February 1 it will start flights from Lamezia and Reggio to Turin, Bologna, Florence and Rome. Debonair's existing hubs are at London's Luton, Barcelona and Munich. Plans to construct a bridge linking Sicily with the Italian mainland and the development of a seaport at Cistia Turro will lead to "unprecedented demand" for flights between north and south Italy, according to Franco Mancassola, chairman and chief executive.

Likely weather in the leading business centres

	Mon	Tue	Wed	Thur	Fri
Tokyo	10	10	10	10	10
Hong Kong	14	14	14	14	14
London	10	10	10	10	10
Frankfurt	10	10	10	10	10
New York	10	10	10	10	10
L. Angeles	10	10	10	10	10
Osaka	10	10	10	10	10
Paris	10	10	10	10	10
Zurich	10	10	10	10	10

CLUB CLASS

The crisis has made the region better value for visitors, says Amon Cohen

The flip side of the Asian coin

Asia's economic crisis is causing havoc right across the region. But some always seems to benefit from others' misfortunes: this time it is the turn of the business traveller.

The cost of visiting the region is lower than it has been for years. British travellers are doing best of all, thanks to the particularly strong performance of sterling.

Few Britons in their right minds would have gone to Japan earlier in the 1990s unless their company were paying. Now, with the yen at about 215 to the pound, prices have halved since three years ago, and Tokyo is in many respects cheaper than London or Paris. A subway ticket within the city centre costs the equivalent of 74 pence, while a 2km taxi ride costs £3.40. A set lunch is as little as between £3.00 and £5.50.

In some of the worst affected countries, westerners are being helped not only by favourable exchange rates but by actual price cuts. It is reminiscent of the Gulf war period in Europe, with stories of travellers walking into hotels and haggling down the rate.

Gavin Greenwood, senior Asia analyst at Control Risks Group, the security consultancy, cautions that hotels are trying to offset the damage by charging in US dollars. Guests should make clear when they arrive that

they intend to pay in the local currency, he says.

Tony Hughes, chairman of the Guild of Business Travel Agents, says a good deal can also be arranged from home, particularly for hotels in Hong Kong, South Korea, Thailand, Indonesia and Malaysia, which saw frenetic hotel-building. The downturn means there is a considerable over-supply of rooms.

"Asian hotels are trying to maintain their published rates but a good corporate travel agent will be able to get you a deal behind the scenes," says Mr Hughes. After big increases over the past three years, even airfares are starting to fall. "There has been a definite softening on certain routes," says Mr Hughes. "Hong Kong has decreased dramatically and Tokyo is also down."

It may be cheap, but western companies must decide whether it is worth visiting the Asia-Pacific region at all. Bankers are being kept busy with restructuring deals and some long-term energy projects have survived. But shrinking capital and depressed exchange rates make prospects grim for most exporters.

"Everyone in the region is scaling back, particularly in defence, civil engineering and property development," says Mr Greenwood, co-author of Outlook. Control Risks Group's annual security survey, published this week. "There may be cheap rooms but there may be no point in taking them."

Outlook also warns foreign companies based in the region to be wary of growing xenophobia. "Anger is [in part] likely to be directed at



Seoul: foreign visitors may benefit from the financial crisis

foreign or minority groups who appear to have benefited from the crisis or who are deemed responsible for imposing unpopular measures to restore economic viability and confidence," the report says.

Mr Greenwood believes westerners will have the roughest ride in South Korea. "The Japanese are usually the *betas noires* of the Koreans. That could change if western companies go cherry-picking among Korean companies," says Mr Greenwood.

Visitors to the region should be sensitive to the effect of the crisis on their hosts, as the boot may yet return to the other foot, and be used to punish foreigners who exploited or offended the locals during the hard times. Says Mr Greenwood: "It would be counterproductive for business people to go to the region and try to rub anyone's noses in it."

"The Koreans quite rightly have a high self-regard for their economic achievements and they fear that everything they have built up is going to be taken over. They are tough people and are likely to prove so in retreat, so this is where westerners might feel uncomfortable in 1998."

Fortunately, discomfort is not likely to escalate into threats to personal safety. Violence in the region is more likely to be directed towards ethnic minorities, especially the Chinese, says Mr Greenwood.

Nor does Mr Greenwood believe that western companies will fall victim to arbitrarily punitive actions. "The whole weight of the measures imposed by the likes of the International Monetary Fund is on the only way out being through exporting. That will be difficult enough without harassing foreign companies," he says.

"However, that may change during the eventual recovery phase when expectations are rising again."

Visitors to the region should be sensitive to the effect of the crisis on their hosts, as the boot may yet return to the other foot, and be used to punish foreigners who exploited or offended the locals during the hard times. Says Mr Greenwood: "It would be counterproductive for business people to go to the region and try to rub anyone's noses in it."

Why alliances are just the ticket

Airline partnerships offer many benefits for their customers, argues Gillian Upton

Last July a new kind of airline ticket office opened. The office, in London's Conduit Street, is a shop window for Air Canada, Lufthansa, United and SAS, the four biggest partners in the Star Alliance, the travel industry's biggest airline grouping. The two remaining partners, Thai and Varig, have offices nearby.

The opening represents a real consumer benefit. If a traveller has a combination of flights, it provides one-stop ticketing. Before that office opened, I was as cynical as everyone else about airline partnerships. A consolidation of airline power did not augur well for the consumer. How could it? Dominant or monopoly positions in the skies would limit choice, as it would offer little opportunity for new carriers or existing airlines to compete with anything but a token service. Unprofitable routes would disappear and smaller carriers servicing them would go to the wall. And business travellers would never see lower fares.

Lower fares are taking a while to happen, but other

benefits are obvious. Airlines are now reaching more passengers in a more cost-effective manner, by using aircraft more efficiently and cutting costs from shared facilities, such as joint sales offices. "The benefits on the costs for the airlines are huge," says Chris Tarry, transport analyst with Dresdner Kleinwort Benson.

Stephen Egli of Delta Airlines believes there has been some movement on ticket prices. "The market dictates pricing so it's difficult to pinpoint examples, but round-the-world fares are incredibly inexpensive and you can still pick up the frequent-flyer benefits."

I am still not entirely convinced, but I can see the benefits arriving. One of the most popular is the increased flexibility of frequent-flyer programmes, which means that points accrued on one partner can be used for benefits such as upgrades and free flights with the others.

And because alliance partners are consolidating ground facilities, passengers are benefiting from developments such as access to

more lounges and through check-in and baggage transfers to the final destination.

Alliances did not get off to a good start, which has fostered their negative image. Badly matched codeshare deals were struck, and the concept was not communicated well enough to passengers, who were often annoyed and occasionally shocked by the reality of the arrangement.

Under codesharing deals, one airline can sell seats on another while maintaining its own code and flight numbers. That is fine when the two airlines are of a comparable standard, but that has not always been the case. Emirates, for example, cancelled its codeshare with Cyprus Airways after complaints that the Cypriot carrier's business class was not a patch on that of Emirates. Another short-lived link was the one between TWA, the US carrier, and Malev, the Hungarian airline.

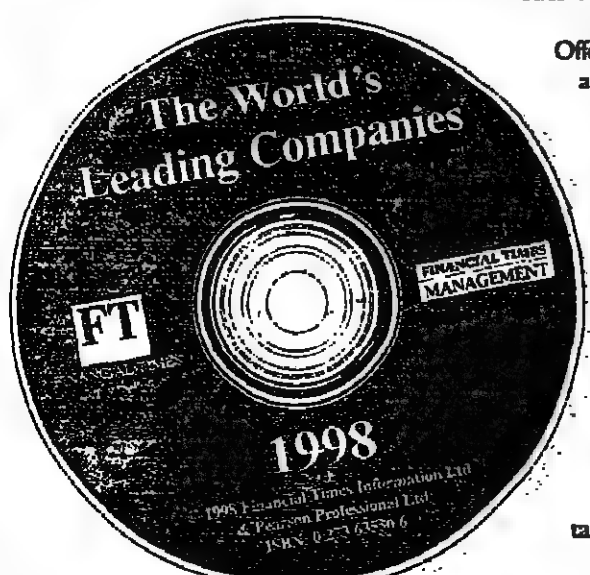
In the short term at least, business travellers will benefit from greater convenience and services. More pennies in their pockets, however, may take a bit longer.

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ARTS

OPENINGS

LAUSANNE
The development of Pointillism is the subject of an exhibition opening on Friday at the Fondation de l'Hermitage. Tracing the influence of Seurat on a whole generation of young painters, it includes more than 100 works from public and private collections in Europe and the US.

LONDON
Inventing America, the Barbican's year-long celebration of American culture, gets underway this week with two exhibitions and a concert performance on Sunday of John Adams's *Nixon in China*. The two exhibitions are a display of the world's best customised Harley-Davidson motorcycles (above right) and a selection of decorative arts from one of the oldest Shaker communities in the US.



The London Sinfonietta's 30th birthday celebrations reach a climax this week with an Elliott Carter programme tonight and a benefit gala on Saturday, featuring John Tavener's *The Whale*. The artistic riches of England's regional galleries are the focus of an

exhibition opening on Thursday at the Royal Academy. It includes 400 works by artists as diverse as Canaletto, Gainsborough, Barbara Hepworth (below) and Francis Bacon.

The British Museum is showing 140 paintings and drawings from the collection of Prince and Princess Sadruddin Aga Khan. Opening on Thursday, the display features an unrivalled selection of Persian paintings, as well as Mughal, Ottoman and 19th century Indian works. Kevin Eliot, author of

1994's highly successful *My Night with Reg*, has the premiere of his latest play, *The Day I Stood Still*, presented at the National Theatre's Cottesloe auditorium on Thursday. Ian Rickson, shortly to start work as artistic director of the Royal Court, directs.

The Royal Shakespeare Company launches two of its most admired 1998 productions in London this week. Adrian Noble's production of *Cymbeline* opens tomorrow at the Barbican Theatre. Katie Mitchell's two-part account of *The Mysteries* opens at the Pit on Wednesday.

HELSINKI
On Saturday, Osmo Vansä

conducts the first performance in Helsinki of Sibelius's complete Karelia music. The concert by the Lahti Symphony Orchestra also includes extracts from the original and final versions of the Fifth Symphony.

The venue is the University Hall, where the symphony was premiered in 1915.

GENEVA
A stage adaptation of William Golding's novel *The Lord of the Flies* opens tomorrow at the Comédie. It is directed by Claude Stratz and designed by Enzo Toffolatti, with a French text by Olivier Chacchiani.



SALZBURG
The 1998 Muzartwoche begins on Friday. This year's highlights include recitals by Murray Perahia and Cecilia Bartoli (left), and orchestral concerts conducted by Rattle and Muti.

ZURICH
John Eliot Gardiner (above)

makes his debut in the Zurich Opern House on Wednesday with a new production of Weber's *Oberon*, staged by Johannes Schacht.

CHICAGO

A major new orchestral work by Sir Harrison Birtwistle is premiered on Thursday at Orchestra Hall. Daniel Barenboim conducts the Chicago Symphony Orchestra, and there are repeat performances on Friday and Saturday.

BOLOGNA

Daniela Gatti's second production as music director of the Teatro Comunale is *Simon Boccanegra*, with Alessandro Agache in the title role and Barbara Fritoli as Amelia. Pier-Alli's staging receives 10 performances, starting on Friday.



Petr Altrichter, left, and Sakari Oramo: their concerts last week with the RLPO and CBSO respectively threw up uncomfortable questions

After the romance, the reality

Andrew Clark reports on two new principal conductors with hard acts to follow

Marry in haste, repent at leisure. Two of Britain's orchestras have just woken up to the fact that whirlwind musical romances do not necessarily translate into long-term compatibility. When the City of Birmingham Symphony and the Royal Liverpool Philharmonic Orchestras began searching for a new principal conductor in 1996, both fell in love with unknown foreign suitors. Without further ado, Sakari Oramo and Petr Altrichter were chosen to succeed Simon Rattle and Libor Pešek. Last week, a different reality dawned. Oramo, a 32-year-old Finn, returned to Birmingham on Thursday for his first concert since his appointment was announced 18 months ago. His performances of Mozart's *Symphony No. 39* and Sibelius's *Second* were so crude and immature that the CBSO players must be wondering what has hit them. It wasn't just Oramo's inflexibly brisk tempo which grated. His Mozart was charmless, and he made the Sibelius sound like a Stalinist battle-hymn.

The previous evening in Liverpool, Altrichter conducted the UK premiere of a contemporary work by a Czech compatriot – a pointer to the kind of music he believes in. Zdenek Lukas's *Sixth Symphony*, which is dedicated to

Altrichter, turned out to be banal, derivative and trapped in a pre-1950 time-war.

These two concerts threw up all sorts of uncomfortable questions. Does a Finn know instinctively how to interpret Sibelius? Is a Czech a failsafe guide to his country's music? And are orchestral musicians the best judge of their own long-term artistic interests? In each case, when the new conductor was appointed, it was stressed that the choice reflected the unanimous wish of the orchestra. When Oramo first came to Birmingham, he had barely three years' podium experience: three years to leap from his first downbeat to one of the highest-profile conducting posts in Europe. Altrichter, a former chief conductor of the Prague Symphony Orchestra, has more experience than Oramo, but he has no manager, no record company and no international profile.

These issues must weigh heavily in Birmingham and Liverpool, both of which are emerging from a period of unbroken artistic development. This summer sees the end of Rattle's 18-year reign at the CBSO, a success story without parallel in British musical history. He may have been only 25 when he took on the job, but he had served useful apprenticeships elsewhere, he arrived when the orchestra was at a low ebb and, most

important of all, he had charisma.

No one wanted a Rattle clone to succeed him. Where Sir Simon is a flashy dresser, Oramo looks bookish and bespectacled, with the platform manner of a bank manager. Where Rattle favoured Mahler, the Czechs and Poles, his successor is interested in Tchaikovsky, mid-century English music and other repertoire long neglected in Birmingham. Rattle had his first orchestral experience as a percussionist; Oramo is a former leader of the Finnish Radio Symphony Orchestra, with which he made his sensational conducting debut in Helsinki in 1993, standing in at short notice for an indisposed guest.

They do, however, share an interest in Scandinavian music, and by beginning Thursday's concert with Magnus Lindberg's *Arena*, Oramo served notice that he shares Rattle's commitment to contemporary music, and is an equally skilled exponent. Lindberg's restlessly inventive score came across with unexpected warmth and luminosity.

Judging by his Mozart, the classical repertoire is where Oramo has least to offer. The Andante was unrecognisably fast, the finale frenetically over-conducted: I cannot recall a Moz-

art performance as ugly and shapeless. Worse was to come in the Sibelius. The slow movement sounded like a scherzo, with clipped phrase-ends and scabbed rhetoric; and his glib treatment of the finale's climaxes robbed the music of nobility and tension.

Perhaps Oramo was nervous; perhaps he will come good – but this encounter suggests Birmingham may soon find itself hitting the ground with a bump. The Rattle factor will take time to wear off in the next six months, the CBSO tours to Vienna, Japan and the US, and gives a Beethoven cycle at the Salzburg festival, before returning home for Sir Simon's valedictory performances of Mahler's *Second Symphony*. The autumn opening of the CBSO's £5m administrative and rehearsal home marks a further stage of development.

Beyond that, Birmingham's artistic fortunes are uncertain. Not only does the CBSO have a new, untested conductor; after two decades of enlightened local authority support, it is also beginning to feel the financial squeeze. Such problems are old hat for the Royal Liverpool Philharmonic, whose local authority grant is less than five per cent of the CBSO's. That goes a long way to explaining the RLPO's £1.3m deficit. Despite this, the orchestra has a stable operating basis, thanks to the support of Liver-

pool's business community and its ownership of Philharmonic Hall. But the deficit discourages risk-taking – a fact reflected in the RLPO's programmes.

When Altrichter took up his appointment in September, many questioned the wisdom of replacing Pešek with another Czech. The move is not as odd as it seems. They have contrasting interests within the Czech repertoire, and where Pešek favoured Mahler and French music, Altrichter tends towards the classical and Russian repertoire. His choice of the symphony by Lukas (b.1938) may raise doubts about his musical taste, but at least he has plenty of repertoire under his belt. Judging by the Schubert *Rosamunde* overture which opened Wednesday's concert, Altrichter knows how to communicate his enthusiasm, and his accompaniments for Peter Donohoe in Brahms's *First Piano Concerto* were colourful and refined.

The problem for Liverpool is one of image. Pešek was not just a fine musician; he oozed charm. Altrichter is going to be difficult to market – and in an age where conductors are expected to project the public face of their orchestras, that will have implications for the RLPO. After a decade of international exposure, it looks as if Liverpool, like Birmingham, must steel itself for less exciting times.

Theatre/Alastair Macaulay

How Amy grows

When David Hare's *Amy's View* was new at the National Theatre in 1997, Judi Dench's performance as Esme was the greatest performance by an actress to be seen in London all year. Now that Richard Eyre's production has transferred to the Aldwych Theatre, her performance is yet greater. The performances by the rest of the cast have grown too – above all Samantha Bond's as Amy, Esme's daughter. And the best news of all is that the play seems also to have grown.

It is still true that *Amy's View* has faults, some of which become more nagging in recollection than at the time one experiences the play; but to be nagged by them is also to be excited by the play *Amy's View* wants to be, and to feel just how great a degree it succeeds. I have now seen it three times, loving it better each time.

To sense the gliding faults of something and still to love its virtues is, in fact, to be very close to the heart of what *Amy's View* is all about. Esme is a middle-aged actress (funny and scathing, obdurate and tender, myopic and shrewd) who, for three of the play's four acts, embodies and espouses all the lovable theatricality of upper-middle-class England itself, its mixture of charming social facade and laughing ironic detachment.

Dominic, her young son-in-law (or, for the first two acts, her daughter's lover), is an outsider in all that. A handsome and tough-minded media personality (as he soon becomes after Act One), he is ready to expose all the costliness and double values of Esme's lifestyle; and his very readiness to debunk anything in established art or society is something that Esme is quick to oppose with equal scorn. Amy, who loves them both and is torn apart by their increasing hostility to each other, tries in vain to make them at least talk and spend time with each other. Or (see Act Four) perhaps not in vain.

Once you are caught up in the interstices between Esme and Dominic, and in Amy's pain, you are caught up in a drama – uncompromising honesty or loving reconciliation? – close to that of Molière's *The Misanthrope*. But you are also in quintessentially David Hare territory. How many of his past characters have been dissenters, and how many of his previous dramas have been about the pains of compromise?

But I think *Amy's View* is an advance on any of his earlier work in one important respect, and that is in its richness of texture. The sheer domestic tension of mother-in-law versus son-in-law is so real; and yet Hare easily places it within a far larger socio-political climate (unplanned pregnancy; live theatre vs film and TV; cello TV arts criticism and hospital soap-operas; opening the fate in one of London's Home Counties dormitory villages; unlimited personal liability in membership of Lloyd's; the truth and artifice, the pretentiousness and sincerity of theatre) in whose details it is a great pleasure to be absorbed.

OK, let me touch quickly on the play's flaws. Hare has a terrible trick here of disclosing to the audience (usually for comic effect, once for tragic/melodramatic effect) information halfway through a scene that everyone onstage has known since curtain-rise. Amy really is not the loving daughter she is made out to be: the fact that she has not spoken for six painful months to her mother before Act Three is vitiated by the fact that in Act One it is already painfully obvious she knows precious little of her mother's current career and life. And, worst, Dominic is less a character than the mere negative to Esme's positive. It is ludicrous that anyone, least of all his future wife and mother-in-law, should label as an "intellectual" or "critic" this intellectually incurious, ill-educated, shallow charcoal sketch of a man, so flimsy beside the oil-painting that is Esme.

I must add, however, that Dominic nonetheless goes a greater personal distance by the end than the actor Eoin McCarthy reveals. Though McCarthy has brought more force to Dominic's arguments, and though he has the good looks and anger for the role, he has too monotonous and callow a method to put serious flesh upon the bare bones that Hare has given him.

Christopher Staines is outstanding as the young actor Toby; just how his scenes with Esme become the most affecting part of the play is impossible to explain, but they are. Ronald Pickup as Esme's suitor Frank (oh! his line on *Dr Zhivago* and criticism!) is superb, and Joyce Redman does wonders with Evelyn. As for Dench and Bond, their performances are the best examples today before the British public of how great acting can make a world onstage real and, further, can take the audience along a large and rich journey. It is easy to find fault with *Amy's View*; but the best way of praising it is to see just how much these actors make of it.

INTERNATIONAL ARTS GUIDE

AMSTERDAM

EXHIBITIONS
Stedelijk Museum
Tel: 31-20-6732911
www.stedelijk.nl
Malevich: Works on Paper from the Khazdzhiev Collection
Exhibited for the First Time. 79 drawings in pencil, chalk, gouache, ink and watercolours, spanning almost the whole of the artist's career; to Jan 25

BERLIN

DANCE
Staatsoper unter den Linden
Tel: 49-30-2035 4555
www.staatsoper-berlin.org
Swan Lake: new staging by Patrice Bart, with designs by Luisa Spinatelli; Jan 23

CHICAGO

CONCERTS
Orchestra Hall
Tel: 1-312-294-3000
www.chicagosymphony.org
Chicago Symphony

Orchestra: conducted by Christoph Eschenbach in works by Mendelssohn, Mozart, R. Strauss and Corigliano. With soprano Renée Fleming; Jan 20
Chicago Symphony
Orchestra: world premiere of Sir Harrison Birtwistle's *Exodus*, conducted by Daniel Barenboim. The programme is completed by Beethoven's *Violin Concerto in D Major*, with soloist Itzhak Perlman; Jan 22, 23, 24

COPENHAGEN

EXHIBITIONS
Louisiana Museum of Modern Art, Humlebaek
Tel: 45-4919 0719
www.louisiana.dk
Francis Bacon: this first major retrospective of Bacon to be mounted in Scandinavia will include loans from around the world; opens on Friday
The Louisiana Exhibition 1997: New Art from Denmark and Scandinavia. This first of a planned series of shows which will present contemporary work from the region contains new works by around 50 artists; to Feb 8

GLASGOW

EXHIBITIONS
Burrell Collection
Tel: 44-141-649 7151
Sir John Lavery (1856-1941): The Irish Glasgow Boy. Highlights include "The Tennis Party" (1885), "State Visit of Queen Victoria to the Glasgow International Exhibition" (1888), and major portraits in which the influence of Whistler is clearly

visible; to Jan 25

LONDON

CONCERTS
Barbican Hall
Tel: 44-171-638 8891
London Symphony Orchestra: Sheffield LSO 21st Anniversary Concert. Conducted by Elgar Howarth in works by Mendelssohn, Jacobs, Casilian and Britten; Jan 21

Queen Elizabeth Hall
Tel: 44-171-928 8800

London Sinfonietta: Elliott Carter at 90. Oliver Knussen conducts a programme of works by Carter, including the UK premiere of his *Clarinet Concerto*. With soloist Michael Collins; Jan 19
London Sinfonietta: 30th Birthday Benefit Gala. Including two world premieres, and John Tavener's *The Whale*. Markus Stenz conducts; Jan 24

NATIONAL GALLERY

Tel: 44-171-839 3321
Recognising Van Eyck: bringing together several rare works by the 15th century Netherlandish master alongside other works; to Mar 15

OPERA

Barbican Hall
Tel: 44-171-638 8891
Nixon in China: the London premiere of Adams' opera is the opening concert of the "Inventing America" festival. Kent Nagano conducts the London Symphony Orchestra; Jan 25

Shaftesbury Theatre
Tel: 44-171-379 5399
The Royal Opera: *Le nozze di Figaro*, by Mozart. Conducted by Charles Mackerras, with designs by Peter Pabst; Jan 19, 21, 22, 23, 24

LOS ANGELES

CONCERTS
Dorothy Chandler Pavilion
Tel: 1-213-365 3500
Los Angeles Philharmonic: conducted by Franz Welser-Möst in works by Mozart and Bruckner; Jan 22, 23, 25

OPERA

L. A. Opera, Dorothy Chandler Pavilion
Tel: 1-213-972 8001
www.laopera.org
Salome: by R. Strauss. Revival of Sir Peter Hall's celebrated production. Conducted by Richard Hickox, with Hildegard Behrens in the title role; Jan 21, 24

MILAN

OPERA
Teatro alla Scala
Tel: 39-2-88791
Il Cappello di Paglia di Firenze: by Rota. Conducted by Bruno Campanella in a staging by Pier Luigi Pizzi; Jan 20, 23, 24

NEW YORK

CONCERTS
Avery Fisher Hall, Lincoln Center
Tel: 1-212-875 5030
Israel Philharmonic Orchestra:

conducted by Kurt Masur in Beethoven's *Symphony No. 9*; Jan 21

New York Philharmonic: conducted by Leonard Slatkin in works by Mozart, Bernstein and Corigliano. With soprano Kathleen Battle; Jan 20

New York Philharmonic: world premiere of Zori's *Orchestra Variations*, conducted by Leonard Slatkin. Programme also includes works by Schuman, Schwanter and Copland. With percussionist Christopher Lamb; Jan 22

EXHIBITIONS

Metropolitan Museum of Art
Tel: 1-212-879 5500
www.metmuseum.org
John La Farge: more than 30 paintings and stained glass windows by the 19th century American; to Jan 25

Museum of Modern Art

Tel: 1-212-708 9480
www.moma.org
On the Edge: Contemporary Art from the Werner and Elaine Dannheisser Collection. More than 80 works by artists including Tony Cragg and Cindy Sherman; ends tomorrow

OPERA

Metropolitan Opera, Lincoln Center
Tel: 1-212-362 6000
www.metopera.org
Capriccio: by R. Strauss. New production by John Cox, with sets by Mauro Pagano; Jan 21
La Cenerentola: by Rossini. New production conducted by James Levine in a staging by Cesare Lievi, with designs by

Maurizio Ballo; Jan 20, 24

PARIS

CONCERTS
Salle Pleyel
Tel: 33-1-4551 6589
Orchestre de Paris: conducted by Gilbert Varga in works by Strauss, Kanchell and Dvorak. With cellist Metelav Rostropovich; Jan 21, 22

Théâtre des Champs Elysées

Tel: 33-1-4952 5050
Russian State Symphony Orchestra: conducted by Evgeny Svetlanov in works by Sibelius and Stravinsky; Jan 20

EXHIBITIONS

Musée du Louvre
Tel: 33-1-4020 5151
www.louvre.fr
Pajou, sculpteur du Roi: first retrospective devoted to works by the French sculptor (1730-1809), a favourite of Louis XV and Louis XVI; ends today, then travelling to New York

ROME

EXHIBITIONS
Musei Capitolini
Henri Matisse: more than 200 works are included in this major exhibition, which aims to demonstrate the profound influence of Oriental art upon the great modernist; ends tomorrow

OPERA

Teatro dell'Opera
Tel: 39-6-481601
www.themix.it
Le Nozze di Figaro: by Mozart.

Production for the Teatro Comunale in Florence by Jonathan Miller. Conducted by Hans Graf; Jan 22, 24, 25

TORONTO

OPERA
Canadian Opera Company, Hummingbird Centre
Tel: 1-416-363 6671
Hansel and Gretel: by Humperdinck. New production, previously seen in the US, designed by Maurice Sendak and directed by Frank Corsaro. The conductor is Randall Behr; Jan 23, 25

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COMMENT & ANALYSIS



Philip Stephens

Intellectual gulf

Outsiders are obsessed with the perils of Europe's single currency; insiders are working out how it will change things

The euro is all but upon us. The January 1999 starting date is a mere technicality. We will have confirmation by the spring of the number of countries participating. It is unlikely to be fewer than 11. Once they have taken their place on the starting grid, economic and monetary union will be a reality.

The Anglo-Saxon reflex is to foresee catastrophe. This is an enterprise that Britain never wanted and the US never troubled to understand. It would be curious if either now gave it their blessing. From policy-makers in Whitehall and the Bank of England we are offered an interminable list of the snares and pitfalls. Warnings from luminaries on the other side of the Atlantic have been positively funereal. Europe's economies are already sclerotic. Emu invites famine, pestilence and war.

The assumption, shot through with Anglo-Saxon arrogance, is that among those committed to this project there is no debate of its consequences. They are blinded by dogma. Governments in Bonn, Paris, Rome, Madrid and the rest will not confront the issues because to do so would be to admit the horrors that lie ahead.

The truth is otherwise. There is a debate among its authors about the single currency. But it is one that simply does not connect with the dialogue in the Anglo-Saxon world. While the cleverest minds in London and Washington focus obsessively on the dangers, those on the other side of the English Channel concern themselves with how it will remould the contours of their continent.

To the outsiders, the enterprise is a perilous excursion into the unknown. The door to Emu opens on to the edge of a cliff. To its prospective parents, the single currency

represents another stage, albeit imprecisely mapped, of a long-established journey. It is hardly a surprise then, that the two sides talk past each other.

I make these observations not as a persuader for Emu. You do not have to have hang-ups about national sovereignty to think the European Union's energies could have been better directed in the aftermath of the fall of the Berlin wall. And I, too, glance at the high levels of unemployment, the deflation wrought by efforts to meet the Maastricht criteria, and the prospect of a one-size-fits-all monetary policy and wonder whether it can work. That, though, is no longer the point.

The gulf between the prospective insiders and the outsiders was brought home to me at a weekend gathering of the Franco-British Colloque. The Colloque was the idea of David Simon long before he left the helm of British Petroleum to join Tony Blair's government. Sir Christopher Mallaby, a former ambassador in both Paris and Bonn, now holds the British reins. On the French side it is run by Jean-Louis Belfa, president of Saint-Gobain. Over the years, the Colloque has developed as a vital forum for the two countries' political

The assumption, shot through with Anglo-Saxon arrogance, is that among those committed to the Emu project there is no debate of its consequences

cal and business elites. It would be misleading to say that the French representatives at this latest meeting were entirely immune to Anglo-Saxon scepticism. There was much straight talking about the risks to the euro zone economies of asymmetric shocks. French industrialists and policymakers were candid also about the link between excessive social costs and regulation and the country's high unemployment - even if they gently reminded their British hosts that France's tradeable goods sector has never been more competitive.

Their conclusion, though, is that these are supply-side problems to be tackled inside Emu. In macro-economic management, the single currency represents continuity rather than dislocation. As one of France's most influential policy-makers remarked, seven of the prospective members have been running a single monetary policy for the past 11 years.

For Germany, France, the Benelux and Austria, the euro represents the exchange of wedding rings between partners that have long been cohabiting. As for high unemployment, it is a problem demanding micro rather than macro-economic solutions. Greater transparency in labour and product markets will hasten the process of structural reform.

In this analysis, the traditional British concern that the single currency is the precursor to a united states of Europe is also wide of the mark. Britain tends to see political union in terms of the construction of new federal institutions. For its continental partners, it is much more about process than architecture. If one looks at the complex of mutual obligations to which the prospective participants have signed up, political union is integral to Emu. Here I think, many have

underestimated the role of the prospective club of single currency finance ministers. Mr Blair has extracted reassurances that Britain's voice will still be heard. Bonn has said the club cannot challenge the independence of the European central bank.

These supposed constraints will not stop Euro-X from developing into one of Europe's most powerful institutions. Formally or informally, it will intensify and extend the process of policy co-ordination. Taxes and social costs may not be harmonised, but new frameworks will be established. The central bank needs this political counterpoint. The future of Emu will depend as much on decisions taken by governments as on the euro interest rate.

In the US, Alan Greenspan, chairman of the Federal Reserve, sits down to breakfast every week with Robert Rubin, US Treasury secretary. Before long Euro-X will elect a chairman to sit down likewise with the head of Europe's central bank.

There will be a similar political role to be played within international institutions like the Group of Eight and the International Monetary Fund. And here, Euro-X will challenge US hegemony. Europe's four largest nations have collectively contributed as much as the US to the international rescue operation for South Korea. But the terms have been written entirely in Washington. That will change when the euro bloc speaks with a single voice.

In all this there are still great uncertainties. Euro-X offers only a partial answer to the serious questions of political legitimacy raised by the single currency. For Anglo-Saxons, though, the moment is fast approaching to stop explaining why Emu cannot work and to start thinking about how it will change things.

LETTERS TO THE EDITOR

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'Arrows in the back' only for those facing the wrong way

From Ms Teresa Wyszomierski.
Sir, Contrary to Robert Denham's eulogy bemoaning the fall of junk bond pioneers Peregrine and Drexel ("Pioneers fated to bite the dust", January 15), legitimate pathfinders do not "get arrows in their backs" unless they are facing the wrong way. Indeed, these firms took two wrong turns that proved their ultimate undoing.

First, they simply underwrote deals that were so dodgy that no viable secondary market for them could develop. By the time Drexel

folded in 1990, the number of dealers and investors participating in the junk bond market was legion. However, many bankers refused to trade Drexel's deals because they contained too many legal idiosyncrasies and were the product of poor due diligence.

When Drexel fell, there was a ready market for high quality paper like RJR/Nabisco, even among non-traditional junk bond players. Not so for "real junk" like Peregrine's "Steady Safe" underwriting.

Second, both Peregrine and Drexel exhibited a lack

of prudential judgment that belied their reputation for market sophistication. Peregrine irresponsibly risked - about a third of its capital in the inaptly named "Steady Safe". Drexel's criminal record speaks for itself.

It is true that both Peregrine and Drexel deserved credit for their pioneering efforts in high yield bonds. However, both firms failed because neither was a "straight arrow".

Teresa Wyszomierski, 61-37 56th Avenue, Maspeth, New York 11378, US

Anything but 'gadfly' governance role

From Ms Anne Simpson.
Sir, Lex argues ("Corporate governance", January 14) that mainstream institutional investors should take an active role in improving corporate governance at UK plc, but takes a swipe at "gadfly organisations" like Pirc. This is a specious distinction. Pirc's clients are long-term institutional

investors with assets well in excess of £150bn (\$245bn). They vote regularly, scrutinise management proposals at meetings, have detailed negotiations with companies and, when necessary, are prepared to take the initiative to improve standards of corporate governance.

This is surely just what Lex is calling for, and exactly what the National Association of Pension

Funds would like to see more of its members doing.

Anne Simpson, Joint managing director, Pensions & Investment Research Consultants, 145-157 St John St, London EC1V 4QJ, UK

mainstream investor. The local authority has long been a subscriber to Pensions Investment Research Consultants (Pirc), alongside many other councils and fund managers. Yet even at a pensions conference last week I heard some experts still arguing for light-touch regulation of the proposed new "stakeholder pensions". Is this complacency or sheer arrogance of the pensions "establishment" in continuing to argue for self-regulation? Until the industry really does put its house in order, then independent organisations such as Pirc will be very much needed.

Alec Kellaway, Newham Council, Town Hall, East Ham, London E6 2EP, UK

Page first turned in earlier Italian era

From Dr Ida di Pietro.
Sir, I was surprised to read in your article "Communist newspaper turns a page" (January 10-11) the sentence: "In the 1980s came La Repubblica, a jazzier left-of-centre rival that seduced thousands of readers." La Repubblica in fact appeared for the first time on January 14 1976 and, with its first issue, "seduced" 300,000 readers.

It is also misleading to

place the start of La Repubblica in the 1980s since it disregards its important role in one of the darkest chapters of Italian contemporary history, namely the kidnapping and subsequent assassination in 1978 of Aldo Moro.

On that occasion, La Repubblica became an important point of reference for Italian public opinion and developed into a forum of permanent political debate.

I suggest a more careful use of the rather dismissive adjective "jazzier" in relation to La Repubblica, which has always kept a very clear, though sometimes difficult, political line and has represented for a whole generation the equivalent of a *sad genera* political party.

Ida di Pietro, Rotenturmstrasse 21/2, 1010 Vienna, Austria

In spite of the end of the cold war, the US still needs swords as well as ploughshares, argues Bruce Clark

Sticking to its guns

As cold-war swords are hammered into ploughshares, the relative importance of military might as a token of American power is certain to decline. Is this correct? No - precisely the opposite trend may be under way.

While the US is likely to see a steady decline in its relative share of total world trade in the decades to come, its lead in military expertise looks unchallenged and destined to grow. Along with mass-market entertainment, defence stands out more clearly than ever as one of America's greatest areas of comparative advantage in the global arena.

The incipient "revolution in military affairs" - which promises to provide commanders with perfect knowledge of the battlefield through highly integrated information systems - has so far been an all-American enterprise.

The gap between Europe and the US has widened since the 1991 war against Iraq. Even then, the communications traffic used to coordinate US forces in the Gulf was four to five times more intense than anything Nato could muster in Europe.

Europe's failure to develop integrated battlefield information systems has prompted US strategists such as Tony Cordesman to warn that the European side of the Atlantic alliance could be turning into a paper tiger. The self-confidence of the most successful parts of the US military-industrial complex was apparent recently at a dinner hosted by the bosses of Lockheed Martin. The US aerospace and defence industry now comprises three giants - Lockheed, Boeing and Raytheon - which is not an ideal state of affairs, conceded Norm Augustine, chairman. But better a healthy trio than a dozen sick players.

In any case, the information technology side of their businesses was growing so



Augustine: 'better a healthy trio than a dozen sick players'

fast that they now considered Microsoft, the software empire, a serious competitor. The one thing that caused them not a flicker of anxiety was the belated effort of the UK, France and Germany to consolidate their defence industries. "I've seen a lot of talk about European consolidation, not much action," said Vance Coffman, Lockheed's new chief executive.

Behind such confidence is the fact that the annual budget of his main customer, the Pentagon, has stabilised after a long slide - at around \$260bn a year. US spending on cutting-edge military research and development is six times the European total.

This growing imbalance has implications not just for the likes of Lockheed, but also for the currency in which US global power is denominated.

If the European Union is *par excellence* a mercantilist power, the US could find itself a sort of praetorian power - relying more on military muscle, and less on economic power, as a token of international influence. Ironically, this is more likely

to be true if US military power remains largely unused, so that its vulnerabilities are untested and its mystique unchallenged.

The only serious problem for the US is the extreme aversion of the public to domestic casualties in foreign wars. But the deployment of vulnerable ground troops is only one tactic available to the US.

There are more subtle ways for the Pentagon to influence outcomes far from its shores. The simplest is the selective supply of weapons, expertise and intelligence to favoured parties. Weapons such as cruise missiles and unmanned aircraft can also help to avoid the political cost of body bags.

Of course, military and economic power are not fungible in any simple way. You cannot, under the rules of the modern world, shoot your way to prosperity.

But the tone of US economic bargaining with its partners in the Group of Seven (now Group of Eight, including Russia) leading industrial nations has always been affected by

Washington's role as military guarantor. Because of the technology gap, this will remain the case even if the US reduces its share of the human and financial burden in its military relationships.

In all America's external relations, military power is its hidden, and often unspoken, advantage. When the US addresses the EU about beef or steel, it speaks to an approximate equal. Every one knows a huge row would hurt both sides. But recent experience in the Balkans has deepened Europe's military dependence on the US - by highlighting the US superiority in satellite intelligence and air power.

When the US approaches a Latin American country in search of trade deals, it brandishes the enormous power of American capital and markets, but it cannot hide the fact that it needs those agreements too.

However, the recent lifting by the US government of its self-imposed ban on high-tech arms sales to Latin America will give it a new set of aces. It can now court not just with F-16s, but with the joint military exercises that would follow.

Arms sales, sweetened by joint war games, are only one example of foreign-policy spin-offs from maintaining a vast military. Another is the growing field of "defence diplomacy", in which officers from other countries - including former adversaries - are invited to bond with their US counterparts at worthy seminars.

Fellow officers tend to strike up closer relationships than prickly bureaucrats. And there is one thing that impresses visiting officers from the former Soviet Union, which was among the most militarised powers in history. When they see the Arlington cemetery, the smart West Point cadets and the docile, bug-eyed visitors touring the Pentagon, they conclude, enviously, that America holds the military in very high esteem.

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Monday January 19 1998

A role for the US in Ulster

US policy towards Northern Ireland has the capacity to be immensely constructive in, or hugely destructive of, the search for a political settlement in the province.

The White House can be a valuable ally for the British and Irish governments in their efforts to persuade Sinn Féin/IRA to abandon violence permanently in favour of a negotiated settlement. But when the Clinton administration plays to the domestic gallery of Irish-American opinion, it provides succour for those who prefer the *Armalite* to the ballot box.

This is the lesson to be drawn from the weekend disclosure by Raymond Seitz, a former US ambassador in London, that Mr Clinton's early contacts with Gerry Adams, the Sinn Féin president, were driven by the White House's concern to secure Irish-American votes.

Mr Seitz's insider's account of the way in which the US administration repeatedly broke its own rules on dealing with those who support terrorism makes depressing reading. The suggestion that sensitive British intelligence information was passed to Sinn Féin/IRA is deeply alarming. Mr Seitz left his post in 1994, but his concerns about the overtly nationalist sympathies of Jean Kennedy-Smith, the US ambassador in Dublin, have subsequently been echoed by other senior US diplomats.

It might be said that this phase in US policy is now over.

Relations with London have been repaired and, with Sinn Féin/IRA holding to a second ceasefire, Mr Adams' trips to the White House have been followed by meetings with Tony Blair in 10 Downing St.

In reality, it is more important than ever that Mr Clinton eschews domestic US politics in his approach to Northern Ireland. The multi-party talks in the province are now entering their most dangerous phase. Martin McGuinness, the chief Sinn Féin/IRA negotiator who will accompany Mr Adams at his meeting with Mr Blair today, has rejected the negotiating document produced last week by the London and Dublin governments. By murdering innocent Catholics, hardline loyalist paramilitaries are giving Republicans a convenient cover to end their ceasefire.

In such perilous circumstances, the duty of the US administration is to use all its political weight to persuade Sinn Féin/IRA to keep talking. Access to the White House and the capacity to raise funds from Irish-Americans are precious commodities for Mr Adams.

The White House should make it clear that both will be withdrawn - permanently - if the present ceasefire is broken. If he does otherwise, Mr Clinton will lay himself open to the charge that he puts votes for US Democrats ahead of lives in Northern Ireland.

The new Spanish explorers

Many companies are discreetly turning themselves into pocket-sized multinationals, as David White explains

You would not say Ficos International was a household name, even in Spain. It is a family-controlled Catalan company, little known except to clients in the motor industry. It makes rear-view mirrors, windscreen washers and the like. Until the mid 1980s it was a purely Spanish company with a Spanish market, exporting no more than 4 per cent. But now it has factories in four continents and does 70 per cent of its \$300m-a-year business abroad.

Here is a new breed: the pocket-sized Spanish multinational. Unlike Italy, Spain has never been well represented among world-league companies - no names like Fiat or Pirelli or Benetton. It has been a receiver of foreign investment, but until recently barely figured as an investor.

Since 1965, when it signed its accession to the European Union, Spain has been the biggest net recipient of direct foreign investment in the OECD area, according to figures from the 25-nation organisation. But since 1994 the net inflow has been smaller than Mexico's or Australia's.

One reason is that inward investment growth has slowed. Most sectors that were opened to foreign ownership 40 years ago - such as cars and chemicals - are already saturated by foreign companies. Money still flows into restructuring and expansion, but new arrivals have become scarcer. At the same time, Spanish companies, flush with the profits of economic recovery, have been investing abroad as never before.

The net balance is still inward, but not by much. Belatedly but rapidly, Spain is joining the mainstream of large EU countries which are both suppliers and takers of investment. The change began with EU entry 12 years ago when companies, in self-defence, sought new markets to offset competition on their home turf. They have since become more adventurous, and a new corporate culture has grown up.

"In Spain we were kings, but outside Spain we were nothing," says Josep Maria Pujol, Ficos's chairman, referring to its position in the 1960s. "We had three alternatives: to stay as we were, which was certain death; to sell out, which was not our plan; or to go European."

It started by setting up techni-



cal and marketing bases, and then factories - in France, Portugal and England. It found the climate tough: the components industry smelled an intruder. "We were greeted first with total ignorance, then contempt, then hate," the company realised it needed global presence. It set up an engineering office near Detroit and a manufacturing base in Mexico. "We thought we would face the same difficulties as in Europe, but we didn't. It has been a spectacular success."

In the past two years Ficos has added plants in Brazil, Argentina and most recently India. "Our objective now is Asia," Mr Pujol says.

The move abroad has been led by the biggest Spanish companies, with high-profile forays into Latin America - Telefonica, the Santander and Bilbao Vizcaya

bank groups, Repsol in oil and gas, Endesa and Iberdrola in electricity. But the trend is much wider. Numerous smaller companies have followed them and struck out into other parts of the world, including Spain's neighbours Morocco, Portugal and southern France.

"This is a big phenomenon now," says Jordi Canals, a professor at the IESE graduate school of management in Barcelona. Many Spanish enterprises grew up to cater solely for domestic demand. They went through a triple shock with the oil crisis, EU entry and a 1983 recession. Those that survived, he says, emerged stronger.

In many sectors, such as construction, they have become highly competitive, and now have cashflow to spend. Previously obscure companies, almost

all based in Spain's northern regions, are gaining recognition in their sectors as real multinationals. "I think this is the most important corporate change there has been in the last 20 years," Mr Canals says.

Spain used to have little more to boast of than the anecdotal example of Chupa Chups, the Catalan-based lollipop company which expanded abroad in the 1980s, and now produces in half a dozen other countries including Russia and China. But there is now a host of others, often family concerns, which have become discreetly international, sometimes still clinging to their secretive habits. For instance, Spain's biggest car parts maker, Antolin-Irausa, based in Burgos, now has operations in 11 countries from Turkey to South Africa, but refuses to talk to the press.

Some are relatively tiny. Germans Boada, a producer of tile-cutting tools, with 80 employees near Barcelona and consolidated sales of some \$27m, now does more than 60 per cent of its business abroad and has a plant in Portugal, sales subsidiaries in Italy and France and an affiliate in the UK.

Spanish perfumer Antonio Pulig has just bought the glamorous French label Nina Ricci. Indo, an optical company, produces lenses in Tanciers and will soon make frames in China. The industrial co-operatives of Mondragon, deep in the Basque country, have spread tentacles abroad in activities from coach bodies to computer systems. Subsidiaries and joint ventures run hypermarkets in France, make gas boilers and washing machines in Egypt, refrigerators in Morocco and Argentina, and components in the Netherlands and Czech Republic. Campofrio, a meat processor, has plants from Russia to the Philippines.

"Globalisation made to measure", as Mr Canals calls it, Spain will continue to lack real global companies, its top corporations will be at most significant regional players in sectors such as banking, energy and telecommunications, with a European presence through Spain and an important role in Latin America.

Management resources pose a big challenge, he says, especially for these big outfits taking over Latin American companies that were previously in the state sector or cosy oligopolies, which carry heavy bureaucracies and need rapid turnarounds.

"Any future manager must have international experience," says Javier Herrero, chief executive of Iberdrola, the Spanish power company, which has spent \$1bn on Latin American acquisitions, mostly in Brazil during 1997.

Many companies have had difficulty finding qualified people prepared to work abroad. "At the beginning it was practically impossible," says Ficos's Mr Pujol. Spaniards are notoriously loath to move home for their jobs. But he has noted a change in attitude. "There is a new generation of engineers and such - young people who are very much more open."

Russian reform

Russia's political roller-coaster hunched again last week, leaving its leading young reformers stranded in the rear. Victor Chornomyrdin, the prime minister, representing the solid centre ground and gradual reform, is back at the controls. It was a classic manoeuvre by president Boris Yeltsin to keep his closest allies off-balance. But it may not do much to help the ailing Russian economy.

The cabinet reshuffle leaves both Anatoly Chubais and Boris Nemtsov, first deputy prime ministers, stripped of their most important authority. Both the finance ministry, which used to report to Mr Chubais, and energy, which was Mr Nemtsov's responsibility, now come under the direct control of the prime minister. Mr Chubais retains responsibility for the vital but thankless task of reforming public finances and ensuring taxes are collected, but is no longer economic supremo. Mr Nemtsov loses his sweeping power to curb oil and gas monopolies, and is left with other huge areas to reform: electricity, housing and transportation - all political minefields.

One disturbing fact about the reshuffle is that Mr Yeltsin has seen fit to move so fast. The reformers were put in office only last March, and announced big ambitions, including drafting an entire new tax code, regulating the natural mono-

polies, and bringing public finances under control.

The president appears to have decided that the young Turks had made too many enemies to be allowed to maintain their powers. Mr Chornomyrdin has been more successful in cultivating links with his old comrades in industry, with the communists in the Duma, and with the businessmen and bankers who hold sway in the new Russia.

It is too early to say that the prime minister will be Mr Yeltsin's successor: the old president is far too wary to allow such a presumption. But he remains the man most likely to succeed.

For foreign investors, however, he has one important weakness. He is too closely identified with the old energy establishment in general, and with his old firm, Gazprom, in particular. The suspicion is that he will allow the giant gas monopoly, which is responsible for about one-third of all Russia's hard currency earnings, free rein in the energy sector. That would be a severe discouragement to the foreign investment Russia so sorely needs.

Mr Chornomyrdin must make clear he is prepared to clip the wings of Gazprom and the other natural monopolies, and pursue the tax reforms initiated by his young team. These are preconditions for sustained recovery of the Russian economy.

America has a different meaning in Spanish. It can just as well mean Latin America as the US - and for Spanish companies is increasingly likely to do so.

Spain has in the past three years become the leading European investor in Latin America. In countries such as Argentina it has been closing the gap on the US, far long the dominant foreign presence.

The privatised Telefonica group has spent some \$4bn to secure a leading place in the region's telecommunications. Endesa, Spain's biggest electricity generator, is already more than halfway through a plan to spend more than \$3bn in the region between 1997 and 2001, mainly through its stake in the Chile-based Eusebio group. Repsol, the privatised oil company, aims to have invested \$5bn in five years' time, chiefly through

Voyage to the west

Astra, its Argentine affiliate.

Spain's biggest banks, Banco Santander and Banco Bilbao Vizcaya, have more employees in Latin America than Spain. Santander ranks as the region's largest foreign bank by loan volume. Along with Banco Central Hispano they have spent \$6bn since 1995 buying South American and Mexican banks, and now control 20 per cent or more of the market in countries such as Chile, Venezuela, Peru and Colombia.

Of 35 blue-chip shares in the Madrid market's Iboex index, 16 are in Latin America. Last year, the region absorbed 43 per cent of Spanish direct foreign investment.

Why Spain, and why now? Spanish companies are confident

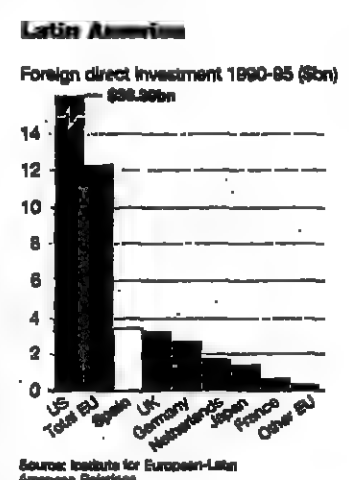
about dealing with the region, based on cultural and historical affinities. "If we did not speak the same language it would be much more difficult," says one executive. They have taken advantage of recent deregulation, jumping in ahead of more reluctant international competitors, in markets still relatively virgin and in need of capital, where entry has until recently been legally difficult and risky.

They regard Latin America as their natural opportunity. And they are already too late elsewhere. "How is a Spanish bank going to go to Hong Kong or Singapore? Ask a senior bank strategist. What can it bring?"

In Latin America, the Spaniards can seize positions they

could never aspire to in Europe or Asia. The region is now almost as important for Mapfre, the biggest Spanish insurer, as its domestic market, says José Manuel Martínez, chief executive of the Mapfre Corporación holding company. More than 90 per cent of its foreign operations are concentrated there. Already operating in 10 Latin American countries, its move has required "little money and a lot of management effort", he says.

The big Spanish companies all put their heads together to deal with some of the difficulties of being newly fledged multinationals - human resources problems, for instance, such as dealing with returning expatriates or the issue of spouse employment. "In



US, UK or Dutch companies, they have been doing this for 40 years," says Mr Martínez. "For Spanish companies, going international is a new process."

Bibi's bluff

Decision time on the Middle East peace process starts today in Washington, after nearly a year in which the Oslo accords between Israel and the Palestinians have stalled to the point of sliding into reverse. President Bill Clinton is holding talks with Benjamin Netanyahu, Israel's prime minister, before meeting Yasser Arafat, the Palestinian leader, on Wednesday. Washington's task is to cajole Israel into making its long overdue withdrawal of troops from the West Bank "significant and credible", and to halt the new wave of Jewish colonisation of occupied Arab land which has all but destroyed hopes of a regional settlement. This, in exchange for a "100 per cent effort" by Mr Arafat in fighting Islamist suicide bombers intent on destroying Oslo, is the minimum requirement for realistic negotiations to resume. Yet the lead-up to the Washington talks could hardly be less propitious.

Israel's cabinet, dominated by rightwing nationalists and religious fundamentalists, on Wednesday set guidelines for Mr Netanyahu that lay claim to more than half the West Bank in all future arrangements with the Palestinians and that, if interpreted literally, mean that numerous Israeli commitments under the existing Oslo treaties will not be honoured.

Attached to the guidelines is a 12-page list of demands on the

Palestinians, all related to providing Israelis with a level of security that Israel itself could never deliver - even when it had complete control of the occupied territories.

While Israeli tactical adjustments have been evident since Mr Netanyahu took office 15 months ago, a strategy is now emerging that would prevent the Palestinians from ever getting a viable homeland in the West Bank and Gaza. Unless this strategy is firmly resisted, there will be no peace in the region. And without peace, Israel, 50 years old this year, will not secure its right to live in security, recognised by its Arab neighbours. Peace and security are indivisible, and both require the return of conquered Arab land.

Mr Clinton now has to make this clear and beyond doubt. He should assume Israel's position is maximalist posturing, because the time has come to call Mr Netanyahu's bluff.

The Israeli leader may well try to go round the US president and rely on the pro-Israel lobby in Congress - as he has done in the past. But two can play that game. Mr Clinton should pitch his message at the Israeli people, who throughout all the setbacks have clung to the prospect of peace and of becoming a normal country. A firm stand is the greatest gift the US could offer Israel on its 50th birthday.

Down on the waterfront

■ It may be good news for local property developers and a mixed message according to Feng Shui masters - but not everyone in Hong Kong is pleased with the government's decision to build a swish new headquarters. "A HK\$190m waste of money," was the verdict of Huang Chai-ya, a member of the Democratic Party; he suspects the administration is bowing to property tycoons by pulling the harbour front site from a planned land auction - hence curbing the future supply of office space.

Despite the apparent haste of the decision, the government says the move has been under consideration for some time. Raymond Lo, one of the territory's Feng Shui experts, believes the new location may bolster the fortunes of the administration. With the People's Liberation Army barracks on one side, and the headquarters of a China-backed conglomerate on the other, the government's energy will be contained at the new site, he says.

But Tung Chee-hwa, Hong Kong's chief executive, shouldn't hold his breath. The new building is unlikely to be completed before 2003. And the

Feng Shui guru reckons bad vibes from the government's existing HQ are partly to blame for both the flu and the territory's stockmarket slump.

Royal progress

■ Strange times in Cuba. First the Pope is invited to kiss the tarmac of the last bastion of unreconstructed communism. Now Havana unveils a garden memorial to Princess Diana. The garden, in the old town alongside Havana Bay, was inaugurated this weekend in the presence of a respectable, but slightly puzzled, contingent of British expatriates. Created by Cuban architects, it consists of a stone pillar covered with modern ceramic designs, set in a pond surrounded by a lawn and flower beds. There's a simple plaque, in Spanish, which reads: "To Diana, 1961-1997."

British ambassador Philip Meelen managed to come up with a tenuous historical link between the site and the British community: the garden is close to a church where British forces, which occupied Havana in 1762, held Anglican services.

But that doesn't explain why Cuba has invested in a memorial to a member of the British royal family. It's up to Havana's official historian, Eusebio Leal, to provide a philosophical

justification. He says the memorial is in tune with the communist-ruled island's "universal vocation". So there you have it.

Trading places

■ All change in Chicago's futures industry as the board of the city's Mercantile Exchange meets this week to decide on a successor to chairman Jack Sandner. Sandner's been in the hot seat for 13 of the past 17 years; term limits mean he's got to step down, but he does so at a tricky time. Dissatisfaction at the CME is rife and members are divided on how to handle the challenge posed by electronic trading systems.

Still, last week's board elections returned most of the incumbents who were standing for re-election. A dispirited group of traders, heavily critical of Sandner, failed to win seats.

So the front-runners to take the chair are both CME insiders: Scott Gordon, vice-chairman since 1995, and Thomas Kloet, treasurer since last year.

Whoever wins could be in for a taxing time.

Core problem

■ "For nine years and eight months I believed it was a success," says John Sculley of

his 10-year stint in charge of Apple Computer. At an industry shindig in Tel Aviv last week, he at last owned up to his part in Apple's decline.

The former Pepsi-Cola president, who left Apple five years ago, reckons the turning point came in May 1990 when Microsoft introduced a viable version of its Windows operating system and Intel launched the high-powered but cheap 80386 microprocessor. With the benefit of hindsight, Sculley thinks Apple should have done a deal with Intel to use the new chip instead of sticking to a technically superior, but more costly, gizmo.

But Sculley, who now runs a venture capital operation with his two brothers, believes that Apple, which has just announced a return to profit for the first time in five quarters, can make a comeback now that Steve Jobs, the Apple founder he ousted, is back in charge.

"Apple is a cult, not a company," he said. "And the guy who created the cult is Steve."

Off target

■ German pharmaceuticals company Hoechst Marion Roussel takes an early lead in the search for 1998's best euphemism for job cuts: the group says it's doing a spot of "targeted realignment".

Financial Times

100 years ago

More Excitement In Havana Of the making of Cuban scores there is no end. Wall Street needs in Havana stand the successive shocks caused by military riots, threats of despatching the United States ironclad, and so forth. On the top of these little scares comes the unwelcome intimation that Marshal Blanco cannot even play tennis with the Prefect of Havana without "an individual" taking a pot-shot at him with a revolver. The bystanders threatened to lynch the "individual", but he seems to have strolled to prison unhurt.

50 years ago

City Firms Ruffled Many City firms these days are ruffled because of delays in their auditing. It is often the sad lot of accountants to refuse to complete work by the dates which would be most convenient to their clients. This is hardly surprising. The Government's vast nationalised monopolies are busily engaged in enticing accountants away from private enterprise. During the last year one City firm of accountants lost nearly a hundred of their staff, mostly to the National Coal Board.

Saddam seeks force to break embargo Iraq declares a 'holy war' on UN sanctions

By Laura Silber and
Bruce Clark in New York

Iraq yesterday declared a "holy war" on UN sanctions, calling for a 1m-strong volunteer force to mobilise for a struggle aimed at breaking the crippling embargo. The US said it still hoped diplomacy could break the deadlock with Baghdad over UN weapons inspections but was ready to use military force if other means failed.

Madeline Albright, US secretary of state, said President Saddam Hussein was "digging a deeper hole for himself" by obstructing UN efforts to monitor and dismantle Iraq's arsenal of deadly weapons.

His latest tactics, including his refusal to accept a US-led inspection team, suggested that the UN was close to making some embarrassing discoveries of hidden stocks of biological and chemical weapons, Mrs Albright said.

Iraq called on all able-bodied

citizens to register for "popular training" after Mr Saddam on Saturday warned that his country faced a mounting military threat from the US.

He said Iraq would expel UN weapons inspectors if sanctions were not lifted within six months. Richard Butler, the chief UN arms inspector who will meet Iraqi officials in Baghdad today, denounced this deadline as arbitrary and unrealistic.

Yassin Ramadan, Iraq's vice-president said yesterday: "We are determined [to launch] a great jihad to lift the sanctions. There is no alternative to this after seven years of patience and co-operation with the United Nations and its committees."

The UN imposed crippling sanctions against Baghdad, including an oil embargo, after Iraq invaded Kuwait in August 1990. Sanctions will remain in force until the UN certifies Iraq has fully dismantled its weapons of mass destruction

and their production facilities.

Baghdad accuses the US of refusing to lift sanctions until Mr Saddam loses power. Mrs Albright said she stood by earlier statements that Iraq must dismantle its arsenal and demonstrate "peaceful intentions" in the region.

George Robertson, the UK defence secretary who has ordered a British aircraft carrier to beef up US forces in the Gulf, said Britain still hoped for a diplomatic solution. "I think we are likely to hear a lot of noise," he said, dismissing as "bluster" the latest Iraqi pronouncements.

The Iraqi defence ministry yesterday called "on all Iraqi men and women... to enlist in popular training."

● In neighbouring Jordan, six Iraqis, including a senior diplomat, and two Egyptians were stabbed to death in the capital Amman.

Saddam out to foil UN 'detectives', Page 3

Peregrine seeks early sale of core equities business

By Clay Harris,
Banking Correspondent

Peregrine, the collapsed Asian investment bank, hopes to find a buyer for its slimmed-down equity products business by the end of this week, a senior executive said yesterday.

The plan under consideration would involve a retreat from several Asian countries and the loss of up to half the group's 1,000 jobs. But Andrew Jamieson, chief executive of Peregrine Securities, said: "I want to keep as much of the business together as possible in what is a short space of time."

Mr Jamieson said at least five potential buyers - two from North America and three from Europe - had begun due

diligence investigations. A sixth bank, believed to be ABN Amro of the Netherlands, may be interested in part of the business. Chinese-backed banks had also expressed interest, but none had formally entered negotiations, he said.

Peregrine was one of the largest underwriters of mainland issues, notably red chips, the Hong Kong subsidiaries of Chinese conglomerates or government agencies.

The core business for which Peregrine is seeking an immediate buyer includes: its "greater China" businesses in Hong Kong, Beijing, Shanghai and Taipei; the UK and US operations which are not part of the liquidation under way in Hong Kong; and offices in Singapore and India.

This means that Peregrine no longer has a physical presence in countries such as Thailand, Indonesia, Malaysia, the Philippines or South Korea. Where appropriate, these countries would be served from a hub in Singapore, said Mr Jamieson, who heads the group's sales, research and trading arm.

"I would like to believe that we could build up franchises in South Asia relatively quickly again," he added.

The core operations employ about 500 people, including 106 in London.

Peregrine Securities (UK), the London stockbroking subsidiary, said on Friday: "We are a solvent company and a viable business in our own right."

European MBAs can 'double' salaries

By Della Bradshaw

European MBA courses can be good for your wealth. An FT survey* of graduates from Europe's top business schools shows that master of business administration degrees from six of them helped alumni to more than double their salaries in under five years.

European business schools have always been seen as poor relations to the big US business schools - Harvard, Stanford or Wharton. But increasingly the top European schools are carving a niche by providing a more international perspective than their US counterparts.

The FT survey took a snapshot of the career development of more than 1,000 European MBA graduates who had graduated from accredited European MBA programmes in 1994. All were asked about their salaries before starting the course, on their first job after graduation and three years on.

Almost all had shown sizeable increases in their salaries. Alumni from full-time programmes at 10 schools had, on average, increased their salaries by more than 90 per cent over the period.

In terms of percentage salary increases, the full-time programmes which fared best were those with the youngest students, and consequently the lowest salaries, at the outset. At the top of the list was London Business School, where students saw an increase of 174 per cent. Now, on average, they are 33 years old and have an average salary of almost £70,000.

IMD, in Switzerland, had one of the oldest student intakes at 36, and the highest average salary of managers before starting. Students still had an average salary rise of 116 per cent, and now the alumni receive, on average, a salary of more than £85,000.

For women who hope that an MBA might help them

smash through the glass ceiling the news is not good. Although the 187 women trailed only marginally in the salaries they were offered on completing their MBA courses the divergence between the salaries doubled over the next three years. Today, the women earn just £48,723 compared with their male peers who earn £59,562.

The 50 business schools asked to participate all had programmes accredited by international bodies. There are more than 200 MBA courses available in Europe, most of which are not accredited and which produce varying results.

* FT Guide to European MBAs. See separate survey

THE LEX COLUMN

Taking stock

The spectacular stock market returns of recent years have had an embarrassing side effect: even Wall Street's finest have found it difficult to beat the humble index trackers. This year should prove different. Asian turmoil, dollar strength and a slowing domestic economy will constrain corporate earnings growth and thus stock market returns. Most equity strategists expect the S&P Composite's total return to fall from 33 per cent in 1997 to 10-15 per cent even that looks hard to justify on fundamentals, but at least it should give stock pickers a chance to show their mettle.

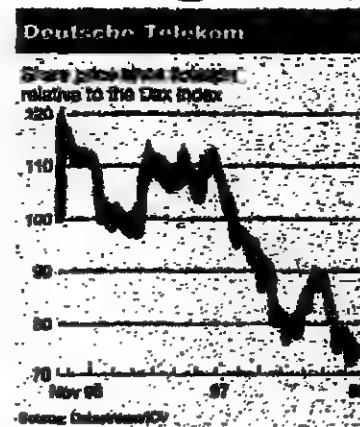
Against such a tough background, defensive stocks, such as pharmaceuticals and branded goods companies, should do relatively well. Unfortunately, their valuations already reflect this. The big drug companies, for example, are trading at a 40 per cent premium to the market on 1998 estimates. Financials, last year's best-performing sector, should still benefit from consolidation and cost-cutting. But international banks have exposure to the Far East, while the domestic regional banks suffer from poor top-line growth and could prove vulnerable to rising bad debts as the economy slows.

Perhaps the best opportunities, therefore, lie in the technology sector. Industry fundamentals, including demand for personal computers and mobile phones, remain strong, yet even sound companies have been tarred with the Asian brush. But the overriding message is that decent equity returns will probably be hard to come by in 1998.

Japanese banks

For months Japan has tried - and failed - to find solutions to its banking problems. This week it will have another stab. A bill will be presented to parliament that would use ¥30,000bn of public funds to support the financial sector, including up to ¥13,000bn to purchase banks' preferred stocks and subordinated bonds.

These recapitalisation plans are provoking fierce debate, and rightly so. Handled correctly, they might help resolve the banking problem. But there is a risk that they will prolong the pain. Part of the plan - offering banks a capital injection to take over failed groups to ensure a smooth wind-down - is sensible enough. The scheme could provide a carrot to bring about the mergers and failures Japan's over-banked



has outdone himself - surprises are running at about one a week. Unfortunately, all are nasty. First came the row over plans to charge customers who want to switch their long-distance calls through rivals. Even if DT has a point, it has lost the public relations battle. Then came the abrupt departure of its international director. Now it has announced poor results - in part because of high losses in its international operations but also because of high costs in its core domestic business. The worry is that DT will not be terribly good at either defending its home patch or building profit streams elsewhere. Mr Sommer is trying to get a grip on this vast bureaucracy, but he is a long way from taming it.

Allied Domecq

In the tongue-loosened world of spirits, bid talk now focuses on Allied Domecq. It has, of course, invited this by setting out its stall to play a role in further industry consolidation, and by thinking aloud about a demerger. But mention demerger and the words "for sale" seem to appear over constant parts. So it would be no surprise to see a bid for Allied's spirits division. As this business is the second largest in global spirits, behind Diageo, the bidder would be smaller and almost certainly from the family-controlled ranks that dominate the league outside the two UK quoted entities.

How much could such a company afford without a big equity issue? Last year Allied's spirits division had £414m trading profits, and a better operating cash position. Assuming some synergies and continuing low interest rates outside the UK, from where a bid would come, this would allow a highly leveraged offer of over £4bn. Allied's enterprise value is nearly £7bn, implying a residual £2.5m for its retailing side which looks low. Putting that business on a smaller multiple to Bass and Whitehead suggests more than £3bn. So if there is a £4bn-plus bid around, shareholders will want to know.

At the very least, such a prospect would force Allied to spell out the benefits of any non-premium tie-up between its spirits business and that of Seagram, its nearest rival. While it is plausible that this combination would produce the most synergies, doubts might linger over how and when shareholders would receive their gains.

Deutsche Telekom

In advance of this year's onslaught of competition, Deutsche Telekom's boss promised a "surprise every month". Ron Sommer

EU to end dispute with US over tallow

Continued from Page 1

manufacturing process. The decision does not directly affect a separate EU initiative to ban a wider range of animal products including ingredients in pharmaceuticals.

But US officials hoped it indicated a less restrictive approach to the use of agro-derivatives.

"For cosmetics and soaps this should resolve the problem, while for other products the use of risk materials (from animals) remains to be discussed," said a European Commission official. "In this case, there will be no BSE risk."

The Commission argues that the use of tallow derivatives in soap and cosmetics is a special case, as it will insist on treatment of tallow to eliminate the risk of passing on BSE.

The Commission is likely to give final approval to the proposals by mid-February.

Ray Calamaro, an advocate for the North American Rendering Industry, said: "The Commission seems to have put in place a solution that will both protect people from BSE and address the concerns of

the industry." Apart from the tallow derivatives contained in soap and cosmetics, the US exports some \$120m of raw tallow to the EU a year.

Last year several attempts to allow the use of treated tallow derivatives in soaps and cosmetics failed because of complications with the Commission's other initiatives against risk materials.

Commission officials said that if necessary other legislation would now be amended to ensure the use of tallow products in soap and cosmetics would be allowed.

FT WEATHER GUIDE

Europe today

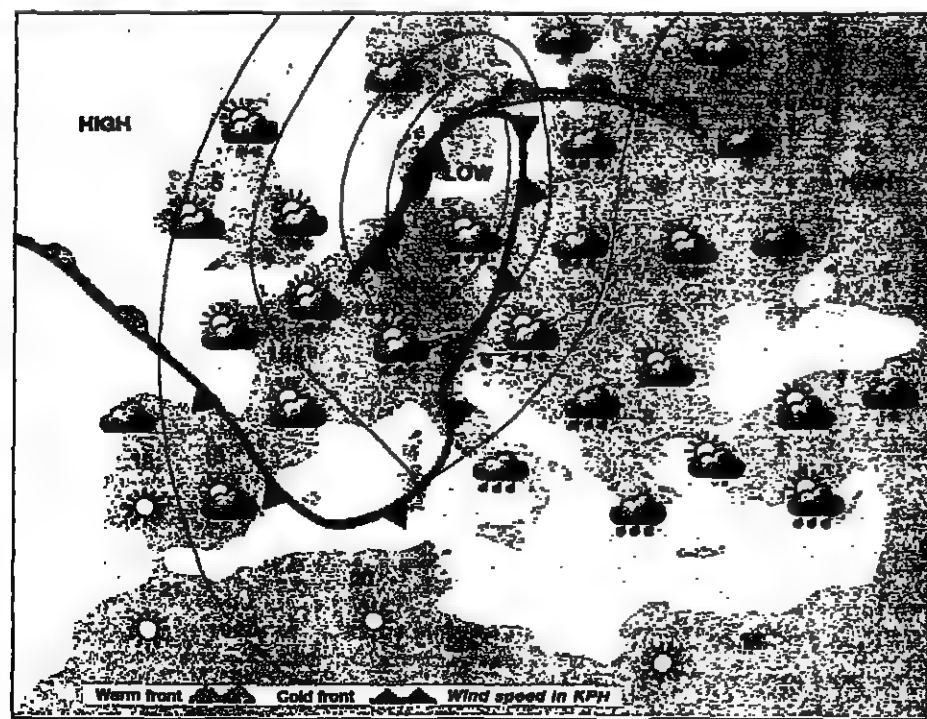
There will be snow across much of Scandinavia except in the far south, which will have rain, and in a few northerly areas, which will remain dry.

The Low Countries, Germany, Austria, Switzerland and France will turn colder from the north. Showers will merge into longer spells of rain at times, turning wintry in the north late in the day.

Northern Spain will be mainly cloudy with rain in places. Southern and central Spain and Portugal will have plenty of sunshine. Heavy rain will move slowly south across Italy. There will be showers in the western Mediterranean.

Five-day forecast

The central and western Mediterranean will be unsettled with rain in most parts, heavy and prolonged at times. Eastern and northern Europe will be cold with snow in places. North-west Europe will become milder later in the week as rain spreads from the west.



Warm front, cold front, wind speed in km/h

TODAY'S TEMPERATURES

Maximum	Beijing	Sun -3	Cardiff	Fair 5	Frankfurt	Half 6	Madrid	Cloudy 15	Rangoon	Sun 22	
Cebu	Belfast	Show 4	Casablanca	Fair 18	Geneva	Fair 6	Manila	Cloudy 20	Raykirk	Show 0	
Abu Dhabi	Sun 24	Belgrade	Chico	Fair 18	Glasgow	Fair 6	Malta	Thunder 18	Thurso	Show 0	
Accra	Sun 32	Berlin	Cologne	Half 5	Glenn	Fair 5	Manchester	Sleet 5	Rome	Rain 1	
Algiers	Fair 21	Bermuda	Fair 20	Dakar	Sun 32	Hamburg	Rain 7	Manila	Fair 21	S. Francisco	Show 13
Amsterdam	Show 6	Bogota	Fair 21	Dallas	Sun 32	Helsinki	Sleet 2	Melbourne	Fair 25	Seoul	Fair -3
Athens	Cloudy 14	Bombay	Sun 30	Delhi	Sun 30	Hong Kong	Fair 14	Mexico City	Show 22	Singapore	Show 5
Atlanta	Fair 21	Buenos Aires	Sun 30	Detroit	Fair 23	Honolulu	Fair 23	Montreal	Cloudy 10	Stockholm	Fair 12
B. Nine	Sun 30	Budapest	Show 6	Dublin	Fair 5	Istanbul	Cloudy 10	Milan	Rain 10	Strasbourg	Show 2
B. Nam	Show 4	C. hagan	Rain 5	Dubrovnik	Sleet 4	Jakarta	Fair 32	Montreal	Show -3	Sydney	Show 25
Bangkok	Sun 33	Calao	Fair 20	Edinburgh	Sleet 4	Jersey	Half 8	Moscow	Show -2	Tanger	Fair 18
Barcelona	Show 18	Caracas	Sun 28	Fern	Fair 19	Johannesburg	Show 24	Munch	Sleet 2	Tai Kow	Show 18
						Karachi	Sun 28	Moscow	Fair 22	Tokyo	Fair 10
						Kuwait	Sun 16	Naples	Rain 15	Toronto	Show -2
						L. Angeles	Fair 17	Nassau	Fair 26	Vancouver	Rain 8
						Las Palmas	Fair 23	New York	Fair 3	Venice	Rain 8
						Lima	Fair 20	Nice	Fair 16	Warsaw	Show 1
						Lisbon	Cloudy 18	Niagara	Show 18	Washington	Fair 3
						London	Fair 4	Oslo	Show 0	Winnipeg	Cloudy 4
						Los Angeles	Sleet 3	Paris	Show 6	Wellington	Show 13
						Lyon	Show 6	Perth	Sun 30	Winnipeg	Fair -10

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FINANCIAL TIMES COMPANIES & MARKETS

Monday January 19 1998

Week 4 BRITISH VITA PLC

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SUCCEEDING
BLENDING
ENGINEERING AND
POLYMER TECHNOLOGY
WORLDWIDE

INSIDE

Italian lira back in the spotlight

The Italian lira will be in the spotlight this week after a conflict between members of the European Union over Italy's membership in the single currency. Klaus Dieter Kuehbach, Bundesbank council member, said there were reasons to be critical of Italy's prospects of joining European economic and monetary union in the first wave. Currencies. Page 21

Peugeot-Citroen set to pool work
Jean-Martin Folz, president of Peugeot-Citroen, is expected soon to announce a reorganisation. One of the main thrusts is likely to be to increase the extent the French carmaker's factories specialise by platform rather than by marque, leading to a reduction in costs. Page 19

INTERNATIONAL EQUITIES
Banks' privatisation fees tumble
Fees earned by investment banks for working on Europe's privatisation deals are falling. The sale of the final tranche of shares in Argentina, the Spanish banking group, carries a fee of 1.75 per cent of gross proceeds to be shared among all the banks in the syndicate. Page 20

COMMODITIES
US live cattle futures hit two-week high
US livestock markets began 1998 with large supplies and flagging demand from packers and retailers, and the Asian crisis threatening exports. But last week ended on a happier note, with live cattle futures hitting a two-week high on the Chicago Mercantile Exchange. Page 21

EMERGING MARKETS
Asian M&A market likely to expand
The economic nationalism that kept corporate Asia closed to outsiders is being abandoned because corporate demand for capital is outstripping supply. The Asian mergers and acquisitions market is expected to expand. Page 22

MARKETS THIS WEEK
London
The strength of the UK market was illustrated on Friday when the FTSE 100 index rose 97.3 to 5,263.1. The market starts the week 67 off its all-time closing high. Page 21

Tokyo
Investors in Tokyo will be looking for signs that the government is moving towards adopting additional stimulus measures before the end of the fiscal year. Last week closed with a rally in Tokyo spurred by comments from government officials that measures were in store. Page 21

Frankfurt
German shares are expected to remain fairly resilient to the uncertainty over Asia, with concern about the long-term impact of the crisis offset by signs that solutions are being implemented. The DAX index gained 1.8 per cent on Friday to close at 4,216.24. Page 21

New York
Today US equity and bond markets are closed for a public holiday, but tomorrow could be hectic as events unfold in Asia and the US quarterly earnings season gets under way. Page 21

FT GUIDE TO THE WEEK - full listings Page 32

EURO-ARCTIC TALKS
The Barents Euro-Arctic Council of foreign ministers from the four Nordic countries and Russia meets today in Lulea, Sweden, for two days of talks on trade and environmental issues in the region. It is the council's fifth meeting. COHEN TO VISIT CHINA, JAPAN AND KOREA William Cohen, US defence secretary, leaves China for Japan tomorrow for a meeting with Ryutaro Hashimoto, Japan's prime minister. He will travel to Korea on Wednesday. POPE SET FOR FIRST TOUR OF CUBA On Wednesday, Pope John Paul II starts a five-day tour of Cuba, his first visit to the island.

Companies in this issue		
ABN Amro	16	General Cable
Air Canada	12	Grand Metropolitan
Air France	18	Grosvy's Estate Holdings
Allied Domecq	17	Guinness
Andersen Consulting	17	Häagen-Dazs
Apax	18	Hyundai Motors
Arthur Andersen	17	Iberdrola
BP	17	Inmarsat
BSkyB	7	Israel Electric Corp
BT	17	KPMG
BZW	17	Lotus Motors
Carlsberg A/B	17	Kirch
Carlsberg	17	Lufthansa
Carlsberg Robinson	17	Malaysia Airlines
Carlsberg	17	Morison
Boeing	10	Nestlé
Boots	10	New Look
Barton Group	10	Paramount
CLT-Ufa	17	Pearson
CSFB	17	Pegasus Gold
Casual Industries	17	Penguin
Chase Manhattan	4	Persgine
Columbia	19	Peugeot-Citroen
Continental Group	19	Price Waterhouse
Coopers & Lybrand	19	Reed Elsevier
Credit Foncier	19	Renaud
DMG	17	Royal Dutch/Shell
Dairy Queen	3	SAS
Diageo	3	Seagram
Diary	19	Sibneft
Emet & Young	19	Sidanco
Estimote	19	Unilever
Flat	15	United Airlines
Fluor International	15	Universal
Ford Motor	19	Warner
Future Publishing	19	Yukos
Gazprom	17	Yukos

Market Statistics		
Base lending rates	23	London recent issues
Company meetings	23	London share service
Dividend payments	26	Managed funds service
FTSE-100 World Index	22	Money markets
FT Guide to currencies	22	New hit bond issues
Foreign exchanges	22	World stock market indices

Big Russian oil groups to merge

New producer will be in world top three

By Chrystia Freeland and John Thornhill in Moscow and Robert Cordine in London

Yukos and Sibneft, two of Russia's leading oil companies, will today announce a merger creating one of the world's top three oil producers.

The emergence of a new company, to be called Yukos, will dramatically reshape Russia's corporate and political landscape. It will account for roughly 22 per cent of Russia's crude oil production, pushing Lukoil, previously Russia's biggest oil company, out of the top position in the industry.

The merger, a first among leading Russian companies, is also expected to open the way for a possible strategic partnership with a western oil company, probably along similar

lines to deals announced late last year by Royal Dutch/Shell and Gazprom, and British Petroleum and Sidanco. Bankers said Yukos executives had not said US oil companies recently, as well as Elf Aquitaine of France.

The Yukos/Sibneft tie-up will reinforce their joint effort to win control of Rosneft, the largest Russian oil company still to be privatised. Rosneft is due to go on sale later this year and is expected to provoke a fierce contest between Russia's largest companies.

The creation of Yukos will also formally seal the partnership between two of Russia's most powerful financial bar-

ons: Mikhail Khodorkovsky, chairman of Yukos, and Boris Berezovsky, a leading Russian businessman, and financier who has close links to Sibneft.

The deal has been strongly supported by Victor Chernomyrdin, the Russian prime minister, who draws much of his political support from the oil and gas sectors.

Although the two companies are financially weak, executives hope they can achieve significant savings.

"The transaction reflects a trend toward consolidation in the Russian oil industry, creating a smaller number of better capitalised and more globally competitive Russian

oil companies," said Mr Khodorkovsky.

Mr Khodorkovsky will be president of Yukos. His chief deputy will be Yevgeny Shvidler, currently chief financial officer of Sibneft, who will perform the same job in Yukos.

As of January 1, Yukos had proven reserves of 9.75bn barrels of oil and Sibneft had proven reserves of 4.1bn barrels. The reserves of Eastern Oil, recently bought by Yukos, have not yet been audited, but they are estimated at 2.6bn barrels.

The creation of Yukos will mean a continuation of the process throughout the Russian oil industry whereby

shares in oil-producing subsidiaries are consolidated into larger holding companies.

However, as it announces its merger today, Yukos will face pressure from western minority shareholders who feel they have been given a raw deal. A minority investor in Tomskneft, a subsidiary of Eastern Oil, has summoned an extraordinary shareholders' meeting today.

In a letter to Tomskneft's board, Acirota, a US investment company, wrote it was an "open secret" that some of Russia's big oil companies had "systematically looted the production subsidiaries of their companies through transfer pricing schemes, asset sales at below market prices and other questionable transactions with affiliates and insiders".

Domecq considers options for drinks arm

By John Wilman, Consumer Industries Editor

Allied Domecq has received an approach from at least one bidder interested in buying its drinks business, maker of Teacher's and Ballantine's scotch whisky, Beefeater gin and Sauza tequila.

The spirits and retailing group has been in talks with several drinks companies since the announcement in May of the £23bn (\$37.5bn) merger of Guinness and Grand Metropolitan to form Diageo, the world's largest drinks company.

Goldman Sachs, the US investment bank that is advising on the options, favours a joint venture pooling Allied Domecq's drinks interests in a joint venture with Seagram, the Canadian drinks and entertainment group.

But Allied Domecq has not ruled out a demerger of the two halves of its business if that would create greater value for shareholders.

Diageo will have more than twice the market share of Allied Domecq, a full range of spirits brands and an almost seamless global distribution network. It is also expected to release more than £200m in efficiency savings through the merger of the two head offices and the distribution networks.

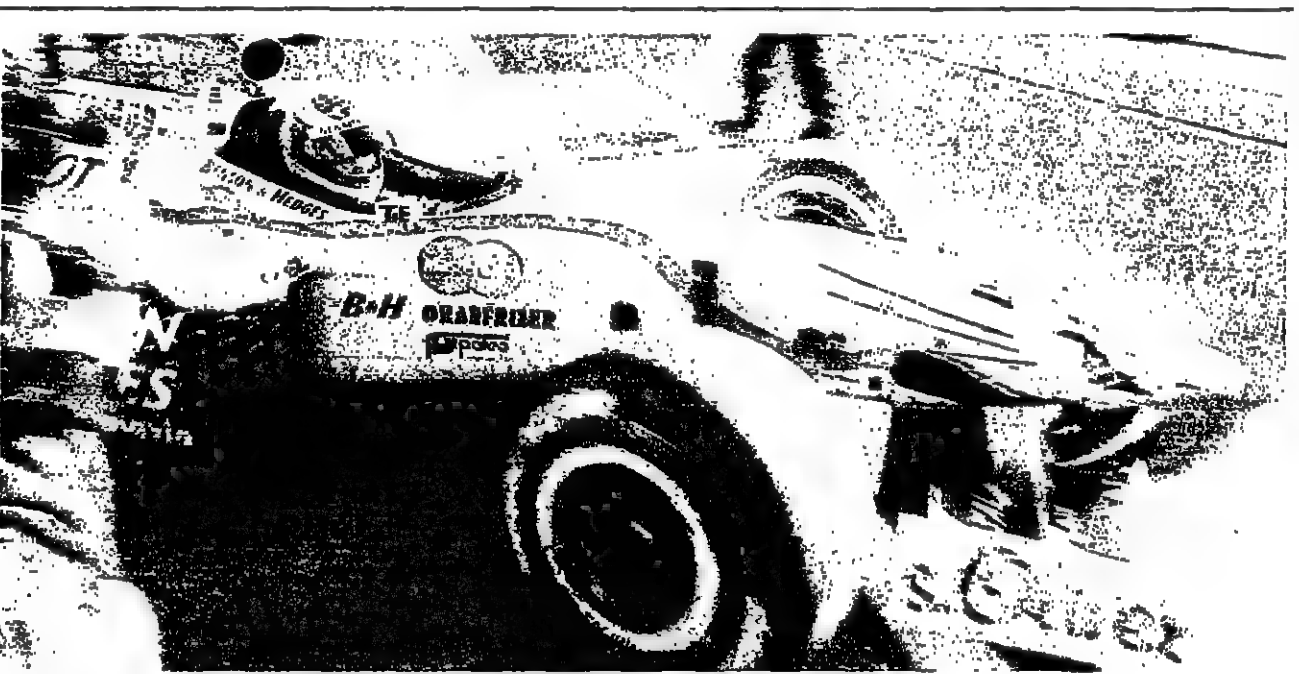
The Diageo merger prompted a wave of speculation about a similar tie-up between Allied and the other large global drinks companies. These include Bacardi, the US rum-maker that owns Martell, J&B, which makes Jim Beam bourbon, Pernod Ricard, the French group, Suntory of Japan and Brown-Forman, maker of Jack Daniel's.

Allied yesterday refused to comment on the approach, or on a newspaper report that a deal with Seagram was imminent.

But a joint venture with Seagram would come closest to giving a range of brands that could compete with Diageo and make equivalent savings. Seagram's portfolio includes Chivas Regal luxury scotch, Absolut vodka and Mumm champagne, but lacks a premium scotch like Ballantine's.

An early decision would also allow the two to avoid a bidding war for Dewar's, the number one scotch in the US, which Diageo must sell by June to satisfy the regulators.

Lex, Page 16



Continental shift: the Jordan motor racing team, including top driver Ralf Schumacher (above), is to be sponsored by UK high street bank National Westminster. It plans to promote its card services operations in the UK and continental Europe. The rival HSBC banking group, principal sponsor of the Stewart team, is using Formula One to promote global brand awareness. Picture: AP

Singapore invests in Grosvenor

By Norma Cohen in London

The Singapore government has taken a 25 per cent stake in the Duke of Westminster's European property business.

The move, by the government's highly secretive investment arm, will help Grosvenor Estate Holdings - the company owned by the Duke and his family - in its attempts to extend its overseas investments.

The Singapore government and private concerns have been active investors in UK property, but this is understood to be the first significant

move by government bodies into Continental European real estate.

Paris Properties Private, a business affiliated to Government of Singapore Investment Corporation Private (GIC), has taken the stake in Grosvenor First European Property Investments (GFPEI), a company formed by Grosvenor for its continental property investments.

GIC and its affiliate, the Central Provident Fund, have significant investments in listed and unlisted equities, bonds and properties around the world.

In November, Grosvenor announced the sale of a portfolio of properties at some of the most prestigious addresses in central London, mostly to raise finance to expand on the Continent. Already, nearly 10 per cent of its portfolio is in continental Europe. A further 1 per cent is in Asia, and roughly 5 per cent is in the US and Australia.

Grosvenor said it had been investing in continental Europe since summer 1996, and its GFPEI vehicle now holds stakes in four companies. It owns 25 per cent of Sonae Imobiliaria SGPS, Portugal's leading developer of shopping centres, as well as a 9.9 per cent interest in Societe Fonciere Lyonnaise, France's fourth largest listed property company.

It also holds a stake in Hermanos Revilla SA, owner of a high-quality office portfolio in Madrid, and has formed a joint venture with Exor SA to expand its holdings of prime office properties in main European business centres.

Grosvenor has moved to expand its own investment activities in south-east Asia, forming Grosvenor Shaw Asset Management in Hong Kong.

Arthur Andersen seeks more time to meet charges

By Jim Kelly in New York

Arthur Andersen will tomorrow try to gain more time in the bitter battle with its sister firm Andersen Consulting - which is trying to split the world's largest professional services organisation in two.

In what will be seen as sparring tactics by Andersen Consulting, the company will break its silence about allegations of breach of contract. It will lodge documents with international arbitrators in Paris seeking more time to respond to charges that it has been unfairly competing with Andersen Consulting.

Late last year, Andersen Consulting took its long-running \$1bn dispute about competition and governance to the International Chambers of Commerce (ICC) seeking contractual freedom from the long-established Arthur Andersen.

Arthur Andersen will tomorrow dispute that the claim can simply be heard by arbitrators at the Paris-based ICC, arguing that many of its member firms are still contractually bound by long-established Swiss arbitration laws.

Its response to Andersen Consulting's 50-page claim to the ICC will initially come from each of more than 100 member firms worldwide, rather than in a consolidated form from Arthur Andersen.

Arthur Andersen had 30 days to respond to the claim and it will meet its deadlines, but it is understood that it will argue that Andersen Consulting had been preparing its

unexpected claim for several months and it wants similar treatment.

That raises the prospect of a prolonged legal dispute before arbitration can begin.

While Arthur Andersen is prepared to go to arbitration, it is understood that it wants these legal points cleared first - particularly those regarding the complex global structure of the firm. "We will eventually rebut their claim - and lodge counter-allegations and a counter-claim," said a partner in the US.

Arthur Andersen says it is an organisation of separate national firms collected together on a global basis to market services.

Andersen Consulting has been asked to react to the crisis more quickly because its firms - which do not provide services such as audit and so are largely unregulated - can coordinate tactics more easily.

The claim may dissolve into more than 100 separate actions. Andersen Consulting is likely to resist fiercely that route to arbitration. It wants a single claim heard by the ICC, so that it can achieve its freedom quickly.

Andersen Consulting's claim is believed to concentrate on alleged breach of contract in the UK and US firms. Arthur Andersen may be seeking to split the claim and to frustrate Andersen Consulting's ambitions to be free of all contractual links with its sister firms. It may also eventually dispute the legality of the San Francisco meeting.

EC concern, Page 19

This announcement appears as a matter of record only.

KAZKOMMERTSBANK

US\$ 50,000,000

TERM LOAN

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Commerzbank Aktiengesellschaft
ING Barings

Co-Arrangers
American Express Bank GmbH
Bankers Trust International plc
Citibank N.A.
Dresdner Bank Luxembourg, S.A.
West Merchant Bank

Lead Manager
London Forfaiting Asia Limited
National Bank of Kuwait (International) plc

Managers
Banque Bruxelles Lambert S.A.
Landesbank Schleswig-Holstein
The Sumitomo Bank, Limited

Participants
Bank Handlowy w. Warszawie S.A.
Byblos Bank
Central-European International Bank Ltd
Daewoo Bank (Hungary) Ltd
Euskilda Debt Capital Markets
Hungarian Foreign Trade Bank
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COMMERZBANK **ING BARINGS**

November 1997

COMPANIES AND FINANCE

Privatisation plan by satellite operators

By Christopher Price

Inmarsat and Eutelsat, two of the world's biggest satellite operators, are considering an initial public offering next year after abandoning their co-operative ownership and restructuring as private companies.

Analysts said the combined valuations on the highly profitable businesses would most likely be in excess of \$3bn and would result in large returns for

their shareholders. These include some of the world's biggest telecommunications groups, such as British Telecommunications, which has a 22 per cent stake in Eutelsat, and an 8 per cent share of Inmarsat. Comsat of the US is Inmarsat's largest shareholder, with 23 per cent.

The companies are eager to raise funds to expand their satellite coverage. A huge increase in demand for satellite services has been

driven by television and multimedia services, such as the internet.

At the same time, commercial satellite operators have emerged and have begun to eat into the market dominance enjoyed by the co-operative organisations, Inmarsat, Eutelsat and Intelsat.

"These organisations were designed in another age," said Geoff King, satellite strategy manager for BT and chairman of the Inmarsat shareholder council. "They

are too slow and bureaucratic to compete with private enterprise."

Privatisation would allow them to raise debt and bring in shareholders from outside the industry to help fund growing capital demands. Eutelsat, for example, plans to launch five satellites this year - doubling its capacity - at a cost of \$750m.

Public listings would allow investors to realise the value of their holdings. Shareholders are known to have been

encouraged by the recent valuations given to new satellite ventures on the US Nasdaq market.

Pressure for change has also come from rival commercial satellite operators, which view the semi-diplomatic status enjoyed by the co-operatives - which means they do not pay taxes - as an anomaly as the global telecoms market moves towards liberalisation. Inmarsat, which has 81

members, is the most advanced towards its reorganisation with a shareholder meeting due in the next two months. Mr King said it was confident the change would be approved. Inmarsat reported revenues of \$633m in 1996. Eutelsat's 46 members met in May. It made profits of \$140m on sales of \$415m in 1997.

If approved, both decisions would have to be ratified by the shareholders' national governments.

Shell explains policy changes to investors

By Robert Corzine

Royal Dutch/Shell has held its first meeting with institutional shareholders to explain controversial policies on environmental and social responsibilities.

Mark Moody-Stuart, chairman of Shell Transport and Trading, the UK arm of the Anglo-Dutch group, said the good attendance at a recent London meeting was proof that institutions were keen to understand the non-financial side of Shell's business.

The company has been heavily criticised in recent years over its environmental and human rights record.

Last year it announced changes to the way it conducts its business, and for the first time made explicit its commitment to promote basic human rights in the countries where it operates.

Shell denied that the meeting with institutions was intended to head off another attempt by pressure groups to force the company into adopting stricter environmental and social policies.

Last year Pirc, the UK corporate governance pressure group, received the backing of several institutional investors for a resolution calling on Shell to adopt tougher policies and more stringent reporting practices.

Mr Moody-Stuart said he was "reasonably relaxed" about the prospect of another critical resolution emerging this year.

He disagreed with the argument that institutional shareholders were not interested in issues such as social responsibility. He also dismissed suggestions that an emphasis on such issues could impair Shell's financial performance. "I don't think there is a fundamental conflict between financial performance and 'soft' issues," he said. "Many shareholders want outstanding financial returns in a way they can feel proud of or comfortable with."

Although he had worried that the presentation to investors would wind up being "two and a half hours of motherhood and good intentions," he was satisfied that it had sparked off lengthy questioning and debate.

Shell was also making progress in preparing its first report on the financial, environmental and social aspects of its global operations. The company has asked a number of NGOs what they want to see in the report, and although many are "sceptical to suspicious about the outcome, at least they are taking part in the process," said Mr Moody-Stuart.

He said Shell's decision to involve itself more deeply in environmental and social issues had been greeted with dismay by other large international companies: "The others say you must be out of your tiny heads."

Asia-Pacific countries attract bargain hunters

By Clay Harris and Jonathan Ford

The value of cross-border acquisitions in Asia-Pacific countries fell by 50 per cent in the second half of 1997, but western companies actively engaged in bargain-hunting in the region, according to two reports published today.

Although the collapse of some local currencies magnified the decline in dollar terms, the number of deals also fell in most Asian countries, according to an annual survey of global takeover activity by KPMG, the accountancy firm.

The biggest decline was in Japan, with inward corporate investment sliding to \$800m (£490m) against \$4.78bn in 1996.

Malaysia, Singapore, Thailand, Vietnam and China also saw declines in inward corporate acquisitions from the previous year. South Korea, Indonesia and Hong Kong achieved increases in 1997, but shared in the second-half slump.

A separate report by Robert Fleming, the UK investment bank, reveals that western companies kept buying in Asia, while intra-regional deals fell sharply. The value of deals by western companies actually increased in

Hot zones for inward corporate investment

Country	Value (\$bn)
1. US	59.82
2. UK	53.04
3. Germany	19.83
4. Netherlands	17.55
5. France	12.78
6. Brazil	12.08
7. Canada	11.58
8. Australia	11.39
9. China	10.54
10. Italy	8.92

1997 mergers, acquisitions, strategic investments by foreign companies
Source: KPMG Corporate Finance

The second half to \$6.3bn, compared with \$5.7bn in the first six months.

Laurence Heyworth, emerging markets strategist at Flemings, said western managers had seen falling Asian equity prices as a "once in a lifetime opportunity". He added: "In many areas, such as hotels and cement, assets are actually trading at a discount to their replacement cost value."

In 1997 overall, the value of cross-border deals into the Asia-Pacific region fell by 22 per cent to \$47.5bn, against a worldwide rise of 31 per cent to a record \$332.6bn, according to KPMG. It includes mergers, acquisitions and

strategic investments by foreign companies.

The UK closed the gap on the US as the most attractive destination for such cross-border deals. Acquisitions of UK businesses by foreign companies reached a record \$53bn in 1997, compared with \$59.8bn spent in the US.

They had also ranked first and second in 1996, when the US attracted \$70.6bn investment and the UK \$39.2bn.

KPMG said the buying spree in the UK was part of a surge in activity in Europe ahead of economic and monetary union.

Stephen Barrett, head of M&A at KPMG Corporate Finance in London, said: "We expect Britain to remain the most powerful magnet in Europe for the foreseeable future. There is every chance that, despite its much smaller economy, it will overtake the US this year as the world's favourite country for international corporate acquisition."

Flemings said total cross-border M&A activity into emerging markets more than doubled to \$67bn in 1997. Of that, Latin America accounted for \$29bn, emerging Europe saw deals worth \$20bn, while Asia lagged behind with about \$18bn.

Hope for Asian M&As, p27



Wrapped up in his work: Gilles Silbermann of Causal

French bedmaker nestles down

Causal Industries, the French upholstery and furniture group listed on the over-the-counter market in Paris, will today announce the acquisition of its third UK bedding company, writes David Blackwell. It is paying cash for Nestledown, a private company based in Kent. The price will not be disclosed, but is understood to be well below Nestledown's annual turnover of \$20m. Gilles Silbermann of Causal said yesterday that the acquisition would bring the group "closer to its stated goal of establishing a leading presence within the European bed market."

Causal, which has total annual sales of about \$200m, is making the purchase through Continental Sleep Holdings, its UK company which already owns Sleepsleeze and Cum/Flux Beds. The deal will lift CSH's total sales to more than \$50m a year, putting it third in the UK bed market behind Slumberland and Airsprung, both listed on the stock exchange.

Gerald Ratnoff, deputy chairman of Dawsey Day, Causal's UK advisers, said further bolt-on acquisitions would be considered as consolidation continued in the market. Another option under consideration was the flotation of the UK bedding business in the next 12 to 18 months.

Air France heads for partial sell-off

By David Owen in Paris and Vincent Boland in London

The French government has set the ball rolling for the partial privatisation of Air France. Up to 50 investment banks last week submitted initial presentations for the roles of adviser to the government and lead manager on the deal.

This could result in up to 30 per cent of the carrier's capital being sold in what is set to be one of the flagship European privatisations of 1998.

"All the big names were there. This is going to be one of the most publicised deals of the year if it happens,"

one investment banker said. The mandate is unlikely to go to a single bank, however, and if previous practice is upheld a French bank will have a leading role.

Ministers have given clearance for the sale of a minority stake in the group, which recently gave new evidence of its financial turnaround by unveiling tripled interim profits of FF1.76bn (\$280m).

The company plans to offer about 20 per cent of its capital to staff, leaving about 80 per cent for other buyers. It remains uncertain whether it will seek to exchange shareholdings with other international carriers, such as Delta Air Lines and

Continental Airlines of the US, with which it has partnership agreements.

Patrice Durand, the carrier's vice-president, finance, recently indicated it might take advantage of the planned partial privatisation to increase capital. The deal is not expected before June.

The Socialist-led government of Lionel Jospin has appeared less hesitant about sanctioning disposals of public assets since last autumn's successful sale of a minority stake in France Telecom, the former monopoly operator, in the largest French initial public offering.

The Air France deal may, nonetheless, stoke up contro-

versy in a country not used to seeing its core public services pass even partly into private hands. Already, the SNPL pilots' union has demanded the withdrawal of proposals to offer about half the shares earmarked for employees to pilots in return for a 15 per cent pay cut.

One banker said last week that an audit to study the feasibility of the shares-for-salary cuts proposal would have to be completed by the end of May, although the flotation is not thought to be dependent on the stake being sold to staff.

Air France's book value is understood to be about \$12bn.

Happy winter's tale for New Look shops

By David Blackwell

New Look, the women's wear chain of 430 shops which is one of the UK's fastest-growing retailers, boosted like-for-like sales by 10 per cent in the seven weeks to January 10.

Total sales were 21 per cent higher than previously, including sales from more than 40 shops opened since the end of March.

Tony Collyer, finance director, said yesterday that Christmas trading had been spread over a longer period, but had stayed "fairly healthy" in the new year.

The group still intended to float in the next two years, but there was no timetable. The figures follow statements earlier this month by Burton Group, the UK's second largest clothing retailer, and Monsoon, the fashion retailer that is coming to the market. Burton's total sales rose 7.6 per cent in the 18 weeks to January 3.

Monsoon, announcing a 5 per cent rise in first-half sales in its draft prospectus, reported strong like-for-like improvements in the last few days before Christmas, with the trend continuing in the winter sale.

Pearson looks at Future auction

By David Blackwell

Pearson, the media company that owns the Financial Times, is looking at a possible auction of Future Publishing, the consumer magazine division, which might fetch up to £150m.

Apax is among venture capitalists known to be interested in the business. It said yesterday that it had cast an eye over Future before Christmas, and would be interested in looking at it again.

"But these things are going for very high prices at the moment - and price would be the biggest issue," said the group, which owns 33 per cent of Quantum, the publisher of business magazines including Media Week and UK Press Gazette.

Pearson said yesterday that it did not comment on market speculation. Future Publishing's magazines cover computing,

music, sports and entertainment. Titles include Total Football and Classic CD.

Pearson bought the publisher for \$22m in 1994, and has invested a further \$2m. A sale would help to reduce group debt, which rose to \$234m last October after the \$232m acquisition of All American, the US television production company.

At the time Marjorie Scardino, Pearson's chief executive, said that despite gearing of 470 per cent she was "comfortable" with the level of interest cover, but emphasised that debt could be reduced through asset sales.

Pearson is also understood to be close to buying for \$30m Reed Elsevier's children's books division, which publishes Thomas the Tank Engine. The acquisition would make Penguin - which already has Puffin, Ladybird and Frederick Warne - the leading UK publisher of children's books.

Invest in Romania!

STATE OWNERSHIP FUND

Advertising release for sale of shares by direct negotiation

The STATE OWNERSHIP FUND, a Romanian public institution based in Bucharest, 21 C.A. Rosetti Street, sector 2, is offering for sale by direct negotiation a 63% of the issued share capital of CAHIRO SA Scleni.

- ☐ Registered Office: Boldesti-Scleni, Sos. Ploiesti-Valea de Munte km.9, jud. Prahova.
- ☐ Fiscal Code: 1317849
- ☐ Registration no. at Commercial Register Office: J29/185/1991.
- ☐ Issued stock capital, according to the latest records at the Commercial Register Office: 20,125,225 thousand, ROL.
- ☐ Turnover in 1996: 10,160,109 thousand, ROL.
- ☐ Net profit in 1996: 72,614 thousand, ROL.
- ☐ Main scope of activity: production and marketing of cardboard, raw cardboard, paper packing.

Total number of shares at a nominal value of 25,000 ROL each: 805,009.

The share ownership structure is as follows:

	%
State Ownership Fund	70.00
Financial Investment Company Banat-Crisana	25.98
Share owners through mass privatization	3.02

The offer for the 63% issued share capital, i.e. 597,156 shares is 4,581,713 USD.

The Company PRESENTATION FILE required for subscription to the offer may be obtained at the State Ownership Fund, SOF-RDA BUSINESS CENTRE, OFFERS DIVISION of the International Relations Department, Bucharest, Str. STAVROPOLOSCU, nr.26, phone 04-01/3110495; 3123130; 3124231 and fax 04-01/3121841, daily between 8.00 and 16.00 hrs., at a price of 1,400 USD for foreign citizens or legal entities or ROL equivalent at National Bank exchange rate applicable on the PRESENTATION FILE purchase date for Romanian citizens and legal entities.

This sum has to be transferred in advance to the State Ownership Fund accounts: no. 5314-00000024230007, in USD at the Romanian Bank for Foreign Trade (BANCOEX) for foreign investors, or no. 1510980000607, in ROL, at the Romanian Bank for Development-Bucharest Branch (BRD-SMB) for Romanian investors.

The minimal environmental conditions accepted for CAHIRO SA Scleni are included in the company PRESENTATION FILE.

- THE PRESENTATION FILE will be released on presentation of:
 - ☐ a copy of the payment order for the presentation file;
 - ☐ identity card (or passport for foreign citizens);
 - ☐ certificate from the bidding company.

In order to participate in the negotiations, bidders are required to present evidence of putting at the Seller's disposal a guarantee of a participation i.e. 1,046,418 thousand ROL or 137,452 USD as follows: Romanian citizens or legal entities may pay cash to the State Ownership Fund, to account no. 4001680900313 at the Romanian Bank for Development - Bucharest Branch (BRD-SMB); foreign citizens or legal entities may pay cash to the State Ownership Fund, to account no. 5314-00000024230007, in USD, at the Romanian Bank for Foreign Trade (BANCOEX); alternatively the bidders may instruct the bank where they hold their account to release an unconditional bank guarantee valid for 45 days.

Bidders should submit the PURCHASING OFFER and the documents stipulated by Government Decision (HG) no. 457/1997 article 26, published in "Monitorul Oficial" no. 213/28.08.1997 to the State Ownership Fund, Offers Division at the above mentioned address, in a sealed envelope, prior to 16 Feb. 1998, 16.00 hrs. (from deadline for submission).

Invest in Romania!

STATE OWNERSHIP FUND

Advertising release for sale of shares by direct negotiation

The STATE OWNERSHIP FUND, a Romanian public institution based in Bucharest, 21 C.A. Rosetti Street, sector 2, is offering for sale by direct negotiation a 43.996% of the issued share capital of GENERAL TURBO SA.

- ☐ Registered Office: Bucuresti, Str. Bercei, nr. 104, sector 4.
- ☐ Fiscal Code: 2603490
- ☐ Registration no. at Commercial Register Office: J40/26498/1992.
- ☐ Issued stock capital, according to the latest records at the Commercial Register Office: 52,418,600 thousand, ROL.
- ☐ Turnover in 1996: 39,879,431 thousand, ROL.
- ☐ Net profit in 1996: 3,291,123 thousand, ROL.
- ☐ Main scope of activity: a) design, manufacture and marketing of the following: steam turbines, electric generators, electric motors, electric equipment, pumps for power generation purposes, turbine-drive compressors, turbine-drive air compressors, other industrial products, spare parts for the before mentioned in the industry of machine manufacturing; b) on-site repairs at the Client, after the equipment delivery.

Total number of shares at a nominal value of 25,000 ROL each: 2,096,744.

The share ownership structure is as follows:

	%
State Ownership Fund	43.996
Financial Investment Company Muntania	4.67
Shares assigned to the manager	0.004
Employees association for the company	51.33

The offer for the 43.996% issued share capital, i.e. 922,415 shares is 12,046,740 USD.

The Company PRESENTATION FILE required for subscription to the offer may be obtained at the State Ownership Fund, SOF-RDA BUSINESS CENTRE, OFFERS DIVISION of the International Relations Department, Bucharest, Str. STAVROPOLOSCU, nr.26, phone 04-01/3110495; 3123130; 3124231 and fax 04-01/3121841, daily between 8.00 and 16.00 hrs., at a price of 1,400 USD for foreign citizens or legal entities or ROL equivalent at National Bank exchange rate applicable on the PRESENTATION FILE purchase date for Romanian citizens and legal entities.

This sum has to be transferred in advance to the State Ownership Fund accounts: no. 5314-00000024230007, in USD at the Romanian Bank for Foreign Trade (BANCOEX) for foreign investors, or no. 1510980000607, in ROL, at the Romanian Bank for Development-Bucharest Branch (BRD-SMB) for Romanian investors.

The minimal environmental conditions accepted for GENERAL TURBO SA are included in the company PRESENTATION FILE.

- THE PRESENTATION FILE will be released on presentation of:
 - ☐ a copy of the payment order for the presentation file;
 - ☐ identity card (or passport for foreign citizens);
 - ☐ certificate from the bidding company.

In order to participate in the negotiations, bidders are required to present evidence of putting at the Seller's disposal a guarantee of a participation i.e. 2,700,251 thousand ROL or 361,431 USD as follows: Romanian citizens or legal entities may pay cash to the State Ownership Fund, to account no. 4001680900313 at the Romanian Bank for Development - Bucharest Branch (BRD-SMB); foreign citizens or legal entities may pay cash to the State Ownership Fund, to account no. 5314-00000024230007, in USD, at the Romanian Bank for Foreign Trade (BANCOEX); alternatively the bidders may instruct the bank where they hold their account to release an unconditional bank guarantee valid for 45 days.

Bidders should submit the PURCHASING OFFER and the documents stipulated by Government Decision (HG) no. 457/1997 article 26, published in "Monitorul Oficial" no. 213/28.08.1997 to the State Ownership Fund, Offers Division at the above mentioned address, in a sealed envelope, prior to 30 Jan. 1998, 16.00 hrs. (from deadline for submission).

State boost for Crédit Foncier

By Andrew Jack in Paris

Crédit Foncier de France, the state-owned specialist property lender, is to receive a financial boost from the government: just as it enters negotiations for a partnership with potential investors.

The French government on Friday announced reforms to the PAP, a housing loan for those on low incomes, which provides a large proportion of Crédit Foncier's business, estimated to cost FF1.1bn to FF2.2bn (\$163m to \$327m) over 10 years.

The changes come just ahead of the opening of the "data room" from today organised by Deutsche Morgan Grenfell. Crédit Foncier's banking

adviser, in an effort to find a partner willing to recapitalise the institution and keep it alive.

Dominique Strauss-Kahn, economics, finance and industry minister, unveiled reductions in the interest rate on the PAPs from more than 10 per cent to 7 per cent, to come into effect in the next few weeks.

He stressed that the measures were designed to help ease the financial difficulties of an estimated 500,000 clients on low incomes who were still paying high interest rates on their home loans.

The action should also reduce pressure from existing holders of PAPs to seek early reimbursement in an effort to avoid high interest

charges in the light of lower rates available from commercial banks.

The reimbursements were eating into the commissions paid by the state and reducing the loan portfolios of PAPs held by two institutions: Crédit Foncier and Comptoir des Entrepreneurs, another specialist property lender bailed out by the state and now controlled by AGF, the insurance group.

However, the modifications could trigger additional administrative changes for the two institutions and the French government, since Mr Strauss-Kahn stressed on Friday that no PAP clients should be required to pay for the restructuring of their loan.

PAPs were introduced in 1977, and were phased out by 1995. Their replacement by other housing finance products available throughout the French banking network weakened the position of Crédit Foncier de France and helped precipitate a crisis in the group which led to it being taken over by the state in 1996.

Jérôme Meyssonnier, the new "governor" appointed to head the institution, estimates that Crédit Foncier requires a capital injection of FF2.5bn-FF3bn to bring it to adequate solvency levels, and a further FF2.5bn to reimburse a loan made in order to finance the take-over by the state.

Ford plans Russian joint venture

By Haig Simonian, Motor Industry Correspondent

Ford Motor, the world's second biggest carmaker, will join the growing list of motor manufacturers targeting Russia with plans for a \$150m factory near St Petersburg.

The joint venture, which will be financed with local and regional authorities, envisages building up to 25,000 vehicles a year in the first phase, Ford said the project had the potential to be expanded.

The vehicles will be built at the plant of Rusky Dzel, a big engineering group that makes non-automotive diesel engines for products from lawnmowers to ships.

Ford, which will use part of Rusky Dzel's facilities at Vsevolozhsk, in the Leningrad region, hopes to conclude detailed negotiations by the middle of this year.

The project is Ford's bold step in the region since setting up kit assembly plants in Poland and Belarus. Unlike those factories, however, the planned Russian plant will have full press and paint shops.

Ford's move follows activity by other carmakers in Russia in recent months. General Motors is setting up a car plant in north-western Russia, near the Finnish border. The move is expected to be a first step towards building vehicles at the Togliatti plant of AvtoVAZ, Russia's biggest carmaker.

Late last year, Fiat agreed to make up to 180,000 cars a year in a joint venture with GAZ, another large vehicle group, and Renault joined forces with the Moscow city authorities to build cars at the all-Moscow plant.

Ford said it had been looking at options in Russia for some time, but declined to indicate which models might be produced.

Most competitors have chosen small saloons, implying Ford will opt for its Escort range. The current Escort will be replaced this year, though it will remain in production until 2000 in the US. Ford may then transfer Escort production to Russia, retaining the option of building the new version there instead.

The company declined to indicate its potential local partners in the joint venture. The most likely are Rusky Dzel and the regional authorities.

GM's Adam Opel unit is expected to announce tomorrow details of its long-term employment plans in Germany. Local unions fear substantial job cuts to reduce costs but the deal is expected to avoid compulsory job losses while envisaging a big reduction in the workforce over time.

Accountancy deals prompt EC concern

By Emma Tucker in Brussels and Jim Kelly in London

The European Commission is expected to indicate that it has serious competition concerns about the proposed merger of global accountancy firms Price Waterhouse and Coopers & Lybrand this week, when it opens a full anti-trust investigation into the deal.

The announcement, following a preliminary one-month probe of the merger, will give Brussels a further four months to decide whether to block the deal or clear it with conditions.

Karel Van Miert (the competition commissioner) has a lot of problems with it," said an official. A second accountancy merger, involving KPMG and Ernst & Young, is also likely to be subjected to a detailed anti-trust investigation, but at a later stage.

There are differences between the two mergers but not enough to justify opening a second-phase investigation into one, and not into the other," said an official.

Although both cases will be subject to the legally binding deadlines of the Commission's merger regulations, Brussels hopes to coordinate its investigations, making references to the impact of one merger in its assessment of the other.

While the four firms involved are making attempts to differentiate the

mergers, privately they accept the Commission will look at them in tandem.

"We expect to go to stage two - and we expect them to look at the competition issues which we acknowledge are there - although there may be some horse-trading later," said an executive at one of the firms.

All four have begun lobbying the Commission. PwC and Coopers are likely to claim their merger is a natural commercial fit, hoping to contrast it with what they see as a knee-jerk response from KPMG and E&Y.

KPMG and E&Y will argue their merger has a genuine European dimension - with headquarters in Amsterdam and a UK chairman and chief executive. They hope to contrast that with what they see as US domination of the other merger.

All four hope that US regulators at the Department of Justice will signal their backing for the mergers within a month. There are fears that if the mergers go ahead professional self-regulation could be in jeopardy.

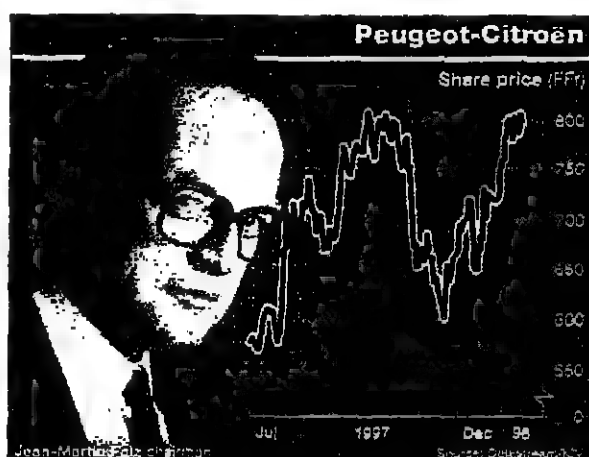
At the weekend, the US Public Oversight Board indicated that it had concerns about the mergers. Jerry Sullivan, executive director, said: "The mergers could challenge self-regulation as we know it today." He said a reduction of the Big Six firms to a Big Four would require alteration of the current system.

Peugeot-Citroën set to pool costs

Last year was Renault's year. The closure of its Belgian factory at Vilvoorde and its drive to reach a two-year target of cutting production costs by FF3,000 (\$490) a car meant the French carmaker's attempts to improve efficiency were seldom out of the public eye.

This year will be the turn of Peugeot-Citroën, Renault's main French rival, to command attention. Jean-Martin Folz, the recently installed president who faces the difficult task of succeeding Jacques Calver, a European motor industry institution, is expected soon to announce an important reorganisation.

Details of the changes are a closely guarded secret, but one of the main thrusts is likely to be to increase the extent to which the group's factories specialise by platform rather than by marque. At present, the vast majority of the group's French assembly plants are dedicated either to one marque or the other: Citroën at Rennes and Aulnay, Peugeot at Sochaux, Mulhouse and Poissy. Vigo in Spain is one of the few factories that assemble both.



First, Peugeot-Citroën is believed to be too dependent on western Europe. It is seeking to address this, in part, by announcing plans for a big investment in the Brazilian state of Rio de Janeiro.

However, once again, it is thought to be acting very late compared with its rivals, which have invested heavily in South America in recent years.

Second, observers worry that Peugeot-Citroën may have lost its ability to produce exciting cars - an alleged weakness made all

the more glaring by the success enjoyed last year by Renault's Mégane Scénic. The scheduled replacement for the Peugeot 205, due later this year, is seen as crucial. In Ms Büchel's words: "they have to get it right."

Certainly, the reputation for inspired idiosyncrasy Citroën enjoyed when General de Gaulle was being driven around in a sleek, elegant Citroën DS is reckoned to have gone.

Analysts also worry that the brand differentiation between the two marques has become inadequate.

David Owen

Kirch, Bertelsman move against US

By Frederick Stüdemann in Berlin

Kirch and Bertelsmann, the German broadcasting groups, are seeking to restrict the influence of US film studios from Premiere, their proposed digital pay-TV venture.

Plans drawn up by the two companies, which are awaiting clearance from the European Commission for their merger, show that Kirch and CLT-Ufa, the Luxembourg-based media group in which Bertelsmann owns a 40 per cent stake, will try to stop Hollywood studios taking up options to acquire equity stakes in Premiere.

If they cannot exclude the studios, Kirch and CLT-Ufa

say they will seek to ensure board decisions at Premiere can only be made with their votes.

The studios were given equity options to programme output deals with Kirch and CLT-Ufa two years ago, when the two companies were trying to establish rival digital pay-TV ventures.

Kirch made commitments estimated to total DM10bn (\$6.47bn) after signing deals with Paramount, Columbia, Universal, Warner and Disney. CLT-Ufa signed deals with Fox and Dreamworks. This gives them a near monopoly on the pay-TV distribution of US films and television programmes.

But the output deals are also one of the biggest finan-

cial problems affecting the development of digital pay-TV in Germany, which, according to Kirch and CLT-Ufa, could become a market generating DM2.9bn in sales within five years.

Kirch's commitments to Hollywood were calculated on the basis of "subscriber guarantees". The studios are paid a set fee per pay-TV subscriber. To ensure a minimum return, the studios were given guarantees on the number of subscribers. If the projected figure was not met, then Kirch would make up the difference.

Since launching its digital pay-TV network DF-1 in 1996, Kirch has fallen dramatically short of projections for subscriber num-

bers. The resulting financial burden was one of the main reasons for its decision to make peace with CLT-Ufa and refocus on developing digital pay-TV around Premiere, a subscription channel that currently uses analogue technology and has over 1.5m subscribers.

CLT-Ufa will pay Kirch DM500m for losses incurred in launching DF-1. In return, Kirch will close DF-1 and provide programming to Premiere. CLT-Ufa has also agreed to take on half the burden of the commitments made to Hollywood as well as "carriage deals" which allow some studios to put their own television channels on the German digital pay-TV platform.

In a series of "position papers" sent to the European Commission, copies of which have been seen by the Financial Times, Germany's federal cartel office has advised the Brussels authorities to block the deal on the grounds that it will not only create a monopoly in digital pay-TV but also an oligopoly in advertising-funded free-TV.

Between them, Kirch and CLT-Ufa control most of Germany's free-TV. The two companies' "strict boundaries" have been set between pay and free-TV.

The cartel office, however, believes there is a real danger that the two companies will co-ordinate their use of programming.

Invest in Romania!

STATE OWNERSHIP FUND

Advertising release for sale of shares by direct negotiation

The STATE OWNERSHIP FUND, a Romanian public institution based in Bucharest, 21 C.A. Rosetti Street, sector 2, is offering for sale by direct negotiation a 50.97% of the issued share capital of MAȘINI UNELTE SA Bacău.

- Registered Office: Bacău, Calea Republicii nr.205, jud. Bacău.
- Fiscal Code: 950523
- Registration no. at Commercial Register Office: 104/67/1991.
- Issued stock capital, according to the latest records at the Commercial Register Office: 18,991,900 thousand, ROL.
- Turnover in 1996: 22,166,938 thousand, ROL.
- Net profit in 1996: 636,000 thousand, ROL.
- Main scope of activity: design, manufacturing and sale machine tools.

Total number of shares at a nominal value of 25,000 ROL each: 735,676.

The share ownership structure is as follows:

	%
State Ownership Fund	50.97
Financial Investment Company Muntenia	23.446
Share owners through mass privatization	25.154
Shares assigned to the manager	0.03
Shares assigned through public offer	

The offer for the 50.97% issued share capital, i.e. 374,999 shares is 4,998,132 USD.

The Company PRESENTATION FILE required for subscription to the offer may be obtained at the State Ownership Fund, SOF-RDA BUSINESS CENTRE, OFFERS DIVISION of the International Relations Department, Bucharest, Str. STAVROPOLES, nr.6, phone 04-01/3110495; 3123130; 3124231 and fax 04-01/3121841, daily between 8.00 and 16.00 hrs., at a price of 1,000 USD for foreign citizens or legal entities or ROL equivalent at National Bank exchange rate applicable on the PRESENTATION FILE purchase date for Romanian citizens and legal entities.

This sum has to be transferred in advance to the State Ownership Fund accounts: no. 5314-00000024230007, in USD at the Romanian Bank for Foreign Trade (BANCOREX) for foreign investors, or no. 1510980000607, in ROL, at the Romanian Bank for Development-Bucharest Branch (BRD-SMB) for Romanian investors.

The minimal environmental conditions accepted for MAȘINI UNELTE SA Bacău are included in the company PRESENTATION FILE.

THE PRESENTATION FILE will be released on presentation of:

- a copy of the payment order for the presentation file;
- identity card (or passport for foreign citizens);
- certificate from the bidding company.

In order to participate in the negotiations, bidders are required to present evidence of putting at the Seller's disposal a guarantee of participation i.e. 1,441,225 thousand ROL or 149,944 USD as follows: Romanian citizens or legal entities may pay cash to the State Ownership Fund, by account no. 4001680900313 at the Romanian Bank for Development - Bucharest Branch (BRD-SMB); foreign citizens or legal entities may pay cash to the State Ownership Fund, to account no. 5314-00000024230007, in USD, at the Romanian Bank for Foreign Trade (BANCOREX); alternatively the bidders may instruct the bank where they hold their account to release an unconditional bank guarantee valid for 45 days.

Bidders should submit the PURCHASING OFFER and the documents stipulated by Government Decision (HG) no. 457/1997 article 26, published in "Monitorul Oficial" no. 213/28.08.1997 to the State Ownership Fund, Offers Division at the above mentioned address, in a sealed envelope, prior to 30 Jan. 1998, 16.00 hrs. (from deadline for submission).

Invest in Romania!

STATE OWNERSHIP FUND

Advertising release for sale of shares by direct negotiation

The STATE OWNERSHIP FUND, a Romanian public institution based in Bucharest, 21 C.A. Rosetti Street, sector 2, is offering for sale by direct negotiation a 50.9531% of the issued share capital of MOLDOCIM SA Băneasa.

- Registered Office: Băneasa, Str. Pătrășcuței nr.80, jud. Neamț.
- Fiscal Code: 206463
- Registration no. at Commercial Register Office: 127/3/1990.
- Issued stock capital, according to the latest records at the Commercial Register Office: 166,848,500 thousand, ROL.
- Turnover in 1996: 121,822,622 thousand, ROL.
- Net profit in 1996: 3,747,504 thousand, ROL.
- Main scope of activity: cement production

Total number of shares at a nominal value of 25,000 ROL each: 6,673,620.

The share ownership structure is as follows:

	%
State Ownership Fund	60.1484
Financial Investment Company Muntenia	0.5042
Share owners through mass privatization + manager	39.3474

The offer for the 50.9531% issued share capital, i.e. 3,483,233 shares is 88,134,653 USD.

The Company PRESENTATION FILE required for subscription to the offer may be obtained at the State Ownership Fund, SOF-RDA BUSINESS CENTRE, OFFERS DIVISION of the International Relations Department, Bucharest, Str. STAVROPOLES, nr.6, phone 04-01/3110495; 3123130; 3124231 and fax 04-01/3121841, daily between 8.00 and 16.00 hrs., at a price of 2,500 USD for foreign citizens or legal entities or ROL equivalent at National Bank exchange rate applicable on the PRESENTATION FILE purchase date for Romanian citizens and legal entities.

This sum has to be transferred in advance to the State Ownership Fund accounts: no. 5314-00000024230007, in USD at the Romanian Bank for Foreign Trade (BANCOREX) for foreign investors, or no. 1510980000607, in ROL, at the Romanian Bank for Development-Bucharest Branch (BRD-SMB) for Romanian investors.

The minimal environmental conditions accepted for SC MOLDOCIM SA are included in the company PRESENTATION FILE.

THE PRESENTATION FILE will be released on presentation of:

- a copy of the payment order for the presentation file;
- identity card (or passport for foreign citizens);
- certificate from the bidding company.

In order to participate in the negotiations, bidders are required to present evidence of putting at the Seller's disposal a guarantee of participation i.e. 13,029,720 thousand ROL or 1,744,040 USD as follows: Romanian citizens or legal entities may pay cash to the State Ownership Fund, by account no. 4001680900313 at the Romanian Bank for Development - Bucharest Branch (BRD-SMB); foreign citizens or legal entities may pay cash to the State Ownership Fund, to account no. 5314-00000024230007, in USD, at the Romanian Bank for Foreign Trade (BANCOREX); alternatively the bidders may instruct the bank where they hold their account to release an unconditional bank guarantee valid for 45 days.

Bidders should submit the PURCHASING OFFER and the documents stipulated by Government Decision (HG) no. 457/1997 article 26, published in "Monitorul Oficial" no. 213/28.08.1997 to the State Ownership Fund, Offers Division at the above mentioned address, in a sealed envelope, prior to 26 Jan. 1998, 16.00 hrs. (from deadline for submission).

Consensus of bulls and bears

The Financial Times plans to publish a Survey on the

Japanese Financial Revolution

on Friday March 27 1998

For further information,
please contact:

Patrick Brennan in Tokyo.

Tel: +81 3295 4050 Fax: +81 3295 1264

Haj Haffeejee

Tel: +44 171 873 3984 Fax: +44 171 873 3204

or your usual Financial Times representative

FT Surveys

Lira jitter

TOKYO By Michiyo Nakamoto

Benchmark yield curve (%)
 16/1/98 ——— Month ago ———

Years	Month ago (%)	Current (%)
0	0.50	0.60
5	1.20	1.30
10	1.80	1.90
15	2.00	2.10
20	2.50	2.60

*All yields are market convention

will also continue to have an impact on Tokyo trading. In addition to the direct market impact on Tokyo of any downturn in regional markets, increasing indications of the adverse impact on corporate Japan of Asian economic turmoil could send jitters through the market again.

The finance ministry's meeting of regional finance bureau heads, on Wednesday and Thursday, will also provide further insight into the state of the economy.

OTHER MARKETS Compiled by Jeffrey Brown

HONG KONG

On Friday, the CAC 40 index was back within striking distance of 3,000, extending its rally from its October lows to 19 per cent.

ZURICH

The Swiss market has a busy week in prospect, with results expected from Ciba SC tomorrow, Nestlé on Wednesday and Novartis on Thursday.

UBS forecasts a 17 per cent rise in 1997 sales from Ciba and expects this above average growth to continue this year thanks to active product portfolio management

ence debt financing problems this year.

halved the share price.
Since I and on Thursday

Novartis was a strong performer on Friday as investors switched into the stock after Roche reported 1997 sales that were in line with expectations but seen as slightly disappointing. Pharmaceuticals turnover in local currencies was up a meagre 4 per cent.

CROSS BORDER M&A DEALS

BIDDER/INVESTOR	TARGET	SECTOR	VALUE	COMMENT
Mannesmann (Germany)	Unit of Philips (Netherlands)	Car systems	\$583m	Terms agreed
LAHC (UK/US)	Unit of GAN (France)	Insurance	\$579m	Life disposal
SocGen (France)	Hambros (UK)	Banking	\$495m	Bank sale OK'd
Belgacom (Belgium)	Cipe (France)	Security	\$377m	Friendly bid
Quebecor (Canada)	Watmoughs (UK)	Printing	\$310m	Clock stopped
Empress La Moderna (Mexico)	Sentinel (US)	AgriTech	\$284m	Stake to 92%
Textron (US)	Ransomes (UK)	Garden tools	\$233m	Offer raised
Allianz (Germany)	Life USA (US)	Insurance	\$150m	Staggered buy
Tate & Lyle (UK)	Imusa (Argentina)	Food	\$62m	Stake via US
Beneficial Corp (US)	Endeavour (UK)	Fin services	\$51m	Lloyds sale

2 STG				2 STG				2 STG				2 STG				
US \$	D-MARK	YEN	YEN	US \$	D-MARK	YEN	YEN	US \$	D-MARK	YEN	YEN	US \$	D-MARK	YEN	YEN	
(x 100)	(x 100)	(x 100)	(x 100)	(x 100)	(x 100)	(x 100)	(x 100)	(x 100)	(x 100)	(x 100)	(x 100)	(x 100)	(x 100)	(x 100)	(x 100)	
Albania	777.30	478.00	829.73	382.80	Greece	(Ghc)	1	0.918	1.5343	47.43	Phelatin	(Phil. Repub)	72.040	44.000	54.079	34.171
Algeria	246.30	163.00	82.370	116.60	Ireland	(Irish P)	17.430	98.370	137.613	82.365	Paraguay	(Paraguay)	1.8371	1.8371	0.5457	0.5457
Angola	18.30	1.70	1.70	1.70	Israel	(Israel)	38.250	38.250	1.362	1.362	Peru	(Peru)	1.759	1.759	0.8213	0.8213
Argentina	207.19	6.718	3.248	4.744	Italy	(Italy)	1.4521	2.700	1.479	1.479	Romania	(Romania)	306.57	300.00	79.58	178.51
Australia	1.70	1.70	1.70	1.70	Jamaica	(Jamaica)	1.100	1.100	1.100	1.100	Saudi Arabia	(Saudi Arabia)	1.4687	1.4687	0.5457	0.5457
Austria	4083.13	29.718	149.751	18547.2	Japan	(Yen)	1.4521	2.700	1.479	1.479	Senegal	(Senegal)	67.779	41.400	23.89	23.89
Belgium	2.4501	2.4501	2.4501	2.4501	Korea	(Korea)	1.4521	2.700	1.479	1.479	Singapore	(Singapore)	1.4521	2.700	1.479	1.479
Belize	1.8301	1.8301	1.8301	1.8301	Latvia	(Latvia)	1.4521	2.700	1.479	1.479	Slovakia	(Slovakia)	1.4521	2.700	1.479	1.479
Bolivia	1.8301	1.8301	1.8301	1.8301	Lithuania	(Lithuania)	1.4521	2.700	1.479	1.479	Slovenia	(Slovenia)	1.4521	2.700	1.479	1.479
Brazil	1.8301	1.8301	1.8301	1.8301	Malaysia	(Malaysia)	1.4521	2.700	1.479	1.479	Somalia	(Somalia)	1.4521	2.700	1.479	1.479
Bulgaria	1.8301	1.8301	1.8301	1.8301	Mexico	(Mexico)	1.4521	2.700	1.479	1.479	South Africa	(South Africa)	1.4521	2.700	1.479	1.479
Canada	1.8301	1.8301	1.8301	1.8301	Moldova	(Moldova)	1.4521	2.700	1.479	1.479	Spain	(Spain)	1.4521	2.700	1.479	1.479
Chad	1.8301	1.8301	1.8301	1.8301	Monaco	(Monaco)	1.4521	2.700	1.479	1.479	Sweden	(Sweden)	1.4521	2.700	1.479	1.479
China	1.8301	1.8301	1.8301	1.8301	Nepal	(Nepal)	1.4521	2.700	1.479	1.479	Switzerland	(Switzerland)	1.4521	2.700	1.479	1.479
Colombia	1.8301	1.8301	1.8301	1.8301	Netherlands	(Netherlands)	1.4521	2.700	1.479	1.479	Taiwan	(Taiwan)	1.4521	2.700	1.479	1.479
Congo	1.8301	1.8301	1.8301	1.8301	New Zealand	(New Zealand)	1.4521	2.700	1.479	1.479	Thailand	(Thailand)	1.4521	2.700	1.479	1.479
Cote d'Ivoire	1.8301	1.8301	1.8301	1.8301	Norway	(Norway)	1.4521	2.700	1.479	1.479	Togo	(Togo)	1.4521	2.700	1.479	1.479
Croatia	1.8301	1.8301	1.8301	1.8301	Pakistan	(Pakistan)	1.4521	2.700	1.479	1.479	Turkey	(Turkey)	1.4521	2.700	1.479	1.479
Cuba	1.8301	1.8301	1.8301	1.8301	Paraguay	(Paraguay)	1.4521	2.700	1.479	1.479	Ukraine	(Ukraine)	1.4521	2.700	1.479	1.479
Cyprus	1.8301	1.8301	1.8301	1.8301	Peru	(Peru)	1.4521	2.700	1.479	1.479	United Kingdom	(United Kingdom)	1.4521	2.700	1.479	1.479
Czech Republic	1.8301	1.8301	1.8301	1.8301	Philippines	(Philippines)	1.4521	2.700	1.479	1.479	USA	(USA)	1.4521	2.700	1.479	1.479
Dominican Republic	1.8301	1.8301	1.8301	1.8301	Poland	(Poland)	1.4521	2.700	1.479	1.479	West Germany	(West Germany)	1.4521	2.700	1.479	1.479
Dominica	1.8301	1.8301	1.8301	1.8301	Romania	(Romania)	1.4521	2.700	1.479	1.479	Yugoslavia	(Yugoslavia)	1.4521	2.700	1.479	1.479
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Abbreviations: (a) Free rate; (b) Market rate; (c) Official rate; (d) Parallel rate; (e) Tourist rate; (f) Currency fixed against the US Dollar; (g) Floating rate; (h) Market rate now shown for Cuba; (i) Name changed from Zaire on May 18th 1997, currency debased to zhang to Congolese Franc; (j) Guinea-Sissali adopted the CFA Franc to replace the Faso on 1/6/97; (k) Pakistan Rupee devalued by 8% on 16/10/97; (l) Rouble released on 1/1/98; FT equates to Business Research Centre 071 55 1130. Some data derived from THE WASHINGTON CLOSING SPOT RATES & Bank of America, Economics Department, London Trading Centre. Expires 071 684 4335. To obtain a copy of this table by Fax from the Cityville service dial 0991 43507. Our charges are charged at 60p per minute at peak rates. FT Cityville apologises for any inconvenience caused. We are now pleased to inform users that the service is once again fully operational.


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FORD MOTOR CREDIT COMPANY
U.S. \$750,000,000
Floating Rate Notes Due
January 17, 2002

In accordance with the terms and conditions of the Notes, the interest rate for the period 26th January, 1998 to 17th April, 1998 has been fixed at 5.75% per annum. The interest payable on 17th April, 1998 will be U.S. \$73,898,932 per U.S. \$1,000 nominal.

Fiscal and
Principal Paying Agent

 **ROYAL BANK
OF CANADA**

ME
METRO FI

Can\$ 100,000,000 Collared R
(issued under the DM 2 billion Multi
Programme of METRO AG)

The Rate of Interest applicable to the
to April 14, 1998 inclusively, was dete
Therefore, on April 15, 1998 interest
amount in the amount of Can\$
about 10,000 million units to the
to the

BANQUE SOFINCO
RF 1 (Annualized)
Floating Rate Notes due 1998

Notes to be heavily sold that the rate of interest for the period from January 1998 to April 1998, 1998 has been locked at 5.7075% per cent, per annum. The coupon amount due has this period a PRF 90.90 per denomination at FRF 10.000 and PRF 90.00 per denomination at FRF 100.000 and is payable on the nearest payment date April 17/1998.

BNP
Par Tenor 1000
 Banque Nationale de Paris
 (Luxembourg) S.A.

Rothschilde
Continuation
Finance B.V.
U.S. \$75,000,000
Subordinated Guaranteed
Floating Rate Notes due 2015

For the to maturity 16th July, 1998 to 16th July 2015 the Notes will carry an interest rate of 5.275% per annum with a coupon interest of U.S. \$396.36 per denomination of U.S. \$100,000 payable on 16th July 1996.

PRO
ANCE B.V.
Rating Rate Notes 1993/2003
Currency Euro Term
Tranche-No.: L1
 Interest Period from January 15, 1998
 to be set at 8.5 per cent per annum,
 per Note of C\$ 1,000, principal
 6.03 and interest per Note of
 C\$ 100.00 and C\$ 160.07 per Note

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Dresdner Kleinwort Benson
Dresdner Bank Aktiengesellschaft
Calculation and Principal Paying

gent

POUND SPOT FORWARD AGAINST THE POUND

Jan 16	Closing	Change	Day's	One month	Three months	One year	Bank of
	mid-point	on day	spread	Rate	Rate	Rate	England
Europe							
Austria	(Sch)	21.0117	+0.0007	310	515	21.0581	20.9378
Belgium	(Bfr)	61.7288	+0.0001	551	665	61.7710	61.3282
Denmark	(Dkr)	11.3622	+0.0009	888	1077	11.4015	11.3277
France	(Ffr)	9.0580	+0.0004	338	498	9.0520	9.0318
Germany	(DM)	2.0911	+0.0007	807	924	2.0945	2.0750
Greece	(Dr)	471.430	+0.799	079	780	471.914	469.286
Ireland	(Ir)	1.1842	+0.0003	250	354	1.1880	1.1744
Italy	(Lira)	204.52	+0.0004	641	750	204.524	203.13
Japan	(Yen)	161.7258	+0.0001	851	965	161.7810	161.4350
Netherlands	(Gld)	3.7500	+0.0009	888	1077	3.7510	3.7348
Portugal	(Esc)	205.594	+0.0003	588	692	205.594	204.250
Spain	(Pta)	166.473	+0.0004	362	483	166.473	165.250
Sweden	(Skr)	13.1247	+0.0004	170	232	13.1247	13.0500
Switzerland	(Sfr)	2.0448	+0.0001	434	464	2.0447	2.0371
UK							
US		1.5131	+0.0009	122	140	1.5141	1.5057
Australia							
Canada							
China							
India							
Japan							
South Korea							
Taiwan							
Thailand							
US							

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Jan 16	Closing	Change	Day's	One month	Three months	One year	Bank of
	mid-point	on day	spread	Rate	Rate	Rate	England
Europe							
Austria	(Sch)	12.8535	+0.0008	510	559	12.9151	12.8560
Belgium	(Bfr)	37.7055	+0.0001	510	205	37.8300	37.524
Denmark	(Dkr)	6.9850	+0.0003	375	804	6.9850	6.9470
France	(Ffr)	5.2515	+0.0002	180	240	5.2515	5.2111
Germany	(DM)	1.1135	+0.0001	185	235	1.1135	1.1117
Greece	(Dr)	287.975	+0.855	840	110	288.380	287.450
Ireland	(Ir)	1.1824	+0.0004	114	134	1.1860	1.1735
Italy	(Lira)	1708.55	+0.0004	510	559	1708.55	1704.00
Japan	(Yen)	161.7258	+0.0001	851	965	161.7810	161.4350
Netherlands	(Gld)	3.7500	+0.0009	888	1077	3.7510	3.7348
Portugal	(Esc)	205.594	+0.0003	588	692	205.594	204.250
Spain	(Pta)	166.473	+0.0004	362	483	166.473	165.250
Sweden	(Skr)	13.1247	+0.0004	170	232	13.1247	13.0500
Switzerland	(Sfr)	2.0448	+0.0001	434	464	2.0447	2.0371
UK							
US		1.5131	+0.0009	122	140	1.5141	1.5057
Australia							
Canada							
China							
India							
Japan							
South Korea							
Taiwan							
Thailand							
US							

WORLD INTEREST RATES

MONEY RATES	Jan 16	Over-	One	Three	Six	One	Long-	De-	Reco-
		night	month	month	month	year	term	rate	rate
Belgium	3%	3 1/4	3 1/4	3 1/4	3 1/4	3 1/4	6 00	2 75	-
France	3%	3 1/4	3 1/4	3 1/4	3 1/4	3 1/4	6 00	2 75	-
Germany	3%	3 1/4	3 1/4	3 1/4	3 1/4	3 1/4	6 00	2 75	-
Italy	3%	3 1/4	3 1/4	3 1/4	3 1/4	3 1/4	6 00	2 75	-
Netherlands	3%	3 1/4	3 1/4	3 1/4	3 1/4	3 1/4	6 00	2 75	-
Spain	3%	3 1/4	3 1/4	3 1/4	3 1/4	3 1/4	6 00	2 75	-
Sweden	3%	3 1/4	3 1/4	3 1/4	3 1/4	3 1/4	6 00	2 75	-
Switzerland	3%	3 1/4	3 1/4	3 1/4	3 1/4	3 1/4	6 00	2 75	-
UK	3%	3 1/4	3 1/4	3 1/4	3 1/4	3 1/4	6 00	2 75	-
US	3%	3 1/4	3 1/4	3 1/4	3 1/4	3 1/4	6 00	2 75	-
Australia	3%	3 1/4	3 1/4	3 1/4	3 1/4	3 1/4	6 00	2 75	-
Canada	3%	3 1/4	3 1/4	3 1/4	3 1/4	3 1/4	6 00	2 75	-
Japan	3%	3 1/4	3 1/4	3 1/4	3 1/4	3 1/4	6 00	2 75	-
South Korea	3%	3 1/4	3 1/4	3 1/4	3 1/4	3 1/4	6 00	2 75	-
Taiwan	3%	3 1/4	3 1/4	3 1/4	3 1/4	3 1/4	6 00	2 75	-
Thailand	3%	3 1/4	3 1/4	3 1/4	3 1/4	3 1/4	6 00	2 75	-
US	3%	3 1/4	3 1/4	3 1/4	3 1/4	3 1/4	6 00	2 75	-

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES	Jan 16	Over-	One	Three	Six	One	Long-	De-	Reco-
		night	month	month	month	year	term	rate	rate
Belgium	3%	3 1/4	3 1/4	3 1/4	3 1/4	3 1/4	6 00	2 75	-
France	3%	3 1/4	3 1/4	3 1/4	3 1/4	3 1/4	6 00	2 75	-
Germany	3%	3 1/4	3 1/4	3 1/4	3 1/4	3 1/4	6 00	2 75	-
Italy	3%	3 1/4	3 1/4	3 1/4	3 1/4	3 1/4	6 00	2 75	-
Netherlands	3%	3 1/4	3 1/4	3 1/4	3 1/4	3 1/4	6 00	2 75	-
Spain	3%	3 1/4	3 1/4	3 1/4	3 1/4	3 1/4	6 00	2 75	-
Sweden	3%	3 1/4	3 1/4	3 1/4	3 1/4	3 1/4	6 00	2 75	-
Switzerland	3%	3 1/4	3 1/4	3 1/4	3 1/4	3 1/4	6 00	2 75	-
UK	3%	3 1/4	3 1/4	3 1/4	3 1/4	3 1/4	6 00	2 75	-
US	3%	3 1/4	3 1/4	3 1/4	3 1/4	3 1/4	6 00	2 75	-
Australia	3%	3 1/4	3 1/4	3 1/4	3 1/4	3 1/4	6 00	2 75	-
Canada	3%	3 1/4	3 1/4	3 1/4	3 1/4	3 1/4	6 00	2 75	-
Japan	3%	3 1/4	3 1/4	3 1/4	3 1/4	3 1/4	6 00	2 75	-
South Korea	3%	3 1/4	3 1/4	3 1/4	3 1/4	3 1/4	6 00	2 75	-
Taiwan	3%	3 1/4	3 1/4	3 1/4	3 1/4	3 1/4	6 00	2 75	-
Thailand	3%	3 1/4	3 1/4	3 1/4	3 1/4	3 1/4	6 00	2 75	-
US	3%	3 1/4	3 1/4	3 1/4	3 1/4	3 1/4	6 00	2 75	-

UK INTEREST RATES

LONDON MONEY RATES	Jan 16	Over-	One	Three	Six	One	Long-	De-	Reco-
		night	month	month	month	year	term	rate	rate
Bank of England	3%	3 1/4	3 1/4	3 1/4	3 1/4	3 1/4	6 00	2 75	-
Base rate	3%	3 1/4	3 1/4	3 1/4	3 1/4	3 1/4	6 00	2 75	-
Three month	3%	3 1/4	3 1/4	3 1/4	3 1/4	3 1/4	6 00	2 75	-
Six month	3%	3 1/4	3 1/4	3 1/4	3 1/4	3 1/4	6 00	2 75	-
One year	3%	3 1/4	3 1/4	3 1/4	3 1/4	3 1/4	6 00	2 75	-
Long term	3%	3 1/4	3 1/4	3 1/4	3 1/4	3 1/4	6 00	2 75	-
Recovery	3%	3 1/4	3 1/4	3 1/4	3 1/4	3 1/4	6 00	2 75	-
US	3%	3 1/4	3 1/4	3 1/4	3 1/4	3 1/4	6 00	2 75	-
Australia	3%	3 1/4	3 1/4	3 1/4	3 1/4	3 1/4	6 00	2 75	-
Canada	3%	3 1/4	3 1/4	3 1/4	3 1/4	3 1/4	6 00	2 75	-
Japan	3%	3 1/4	3 1/4	3 1/4	3 1/4	3 1/4	6 00	2 75	-
South Korea	3%	3 1/4	3 1/4	3 1/4	3 1/4	3 1/4	6 00	2 75	-
Taiwan	3%	3 1/4	3 1/4	3 1/4	3 1/4	3 1/4	6 00	2 75	-
Thailand	3%	3 1/4	3 1/4	3 1/4	3 1/4	3 1/4	6 00	2 75	-
US	3%	3 1/4	3 1/4	3 1/4	3 1/4	3 1/4	6 00	2 75	-

EURO CURRENCY INTEREST RATES

EURO CURRENCY INTEREST RATES	Jan 16	Over-	One	Three	Six	One	Long-	De-	Reco-
		night	month	month	month	year	term	rate	rate
Bank of England	3%	3 1/4	3 1/4	3 1/4	3 1/4	3 1/4	6 00	2 75	-
Base rate	3%	3 1/4	3 1/4	3 1/4	3 1/4	3 1/4	6 00	2 75	-
Three month	3%	3 1/4	3 1/4	3 1/4	3 1/4	3 1/4	6 00	2 75	-
Six month	3%	3 1/4	3 1/4	3 1/4	3 1/4	3 1/4	6 00	2 75	-
One year	3%	3 1/4	3 1/4	3 1/4	3 1/4	3 1/4	6 00	2 75	-
Long term	3%	3 1/4	3 1/4	3 1/4	3 1/4	3 1/4	6 00	2 75	-
Recovery	3%	3 1/4	3 1/4	3 1/4	3 1/4	3 1/4	6 00	2 75	-
US	3%	3 1/4	3 1/4	3 1/4	3 1/4	3 1/4	6 00	2 75	-
Australia	3%	3 1/4	3 1/4	3 1/4	3 1/4	3 1/4	6 00	2 75	-
Canada	3%	3 1/4	3 1/4	3 1/4	3 1/4	3 1/4	6 00	2 75	-
Japan	3%	3 1/4	3 1/4	3 1/4	3 1/4	3 1/4	6 00	2 75	-
South Korea	3%	3 1/4	3 1/4	3 1/4	3 1/4	3 1/4	6 00	2 75	-
Taiwan	3%	3 1/4	3 1/4	3 1/4	3 1/4	3 1/4	6 00	2 75	-
Thailand	3%	3 1/4	3 1/4	3 1/4	3 1/4	3 1/4	6 00	2 75	-
US	3%	3 1/4	3 1/4	3 1/4	3 1/4	3 1/4	6 00	2 75	-

STOCK INDICES

	Jan 16	Jan 15	Jan 14	Jan 13	Low	High	Jan 16	Jan 15	Jan 14	Jan 13	Low	High
FTSE 100	3822.1	3748.3	3710.3	3623.3	3583.3	3554.3	3574.3	3554.3	3574.3	3554.3	3574.3	3554.3
FTSE 250	4912.8	4813.3	4823.3	4813.3	4746.3	4803.8	4798.3	4835.3	4853.3	4794.3		
FTSE 1000	4891.0	4852.7	4855.8	4861.4	4846.4	4850.3	4855.3	4855.8	4858.8	4782.3		
FTSE 2500	3221.9	3184.3	3187.8	3182.3	3147.2	3209.8	3247.7	3246.4	3246.3	3185.3		
FTSE 10000	3245.6	3249.6	3255.3	3249.1	3245.3	3259.8	3259.3	3259.3	3259.3	3245.3		
FTSE 25000	2293.3	2293.3	2297.4	2294.5	2294.5	2298.3	2298.3	2298.3	2298.3	2293.3		
FTSE 100000	3481.8	3423.0	3400.2	3385.9	3388.2	3424.7	3392.2	3402.4	3411.2	3418.2		
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FT MANAGED FUNDS SERVICE

LUXEMBOURG (REGULATED)									
Fund Name	ISIN	Asset Class	Manager	NAV	YTD %	1Y %	3Y %	5Y %	10Y %
Abn-Amro Fund Mgmt (Luxembourg) Ltd									
Abn-Amro Global Bond	LU0100000000	Bond	Abn-Amro	1.00	12.5	15.2	18.1	21.3	24.5
Abn-Amro Global Equity	LU0100000001	Equity	Abn-Amro	1.00	15.1	18.3	21.5	24.7	27.9
Abn-Amro Global Income	LU0100000002	Income	Abn-Amro	1.00	10.2	12.8	15.4	18.0	20.6
Abn-Amro Global Real Estate	LU0100000003	Real Estate	Abn-Amro	1.00	8.5	11.2	13.9	16.6	19.3
Abn-Amro Global Short-Term	LU0100000004	Short-Term	Abn-Amro	1.00	5.1	7.8	10.5	13.2	15.9
Abn-Amro Global Ultra-Short	LU0100000005	Ultra-Short	Abn-Amro	1.00	2.1	4.8	7.5	10.2	12.9
Abn-Amro Global Value	LU0100000006	Value	Abn-Amro	1.00	11.2	14.0	16.8	19.6	22.4
Abn-Amro Global Water	LU0100000007	Water	Abn-Amro	1.00	9.8	12.6	15.4	18.2	21.0
Abn-Amro Global Healthcare	LU0100000008	Healthcare	Abn-Amro	1.00	13.5	16.3	19.1	21.9	24.7
Abn-Amro Global Technology	LU0100000009	Technology	Abn-Amro	1.00	14.2	17.0	19.8	22.6	25.4
Abn-Amro Global Energy	LU0100000010	Energy	Abn-Amro	1.00	12.8	15.6	18.4	21.2	24.0
Abn-Amro Global Financial	LU0100000011	Financial	Abn-Amro	1.00	11.8	14.6	17.4	20.2	23.0
Abn-Amro Global Consumer	LU0100000012	Consumer	Abn-Amro	1.00	10.5	13.3	16.1	18.9	21.7
Abn-Amro Global Industrial	LU0100000013	Industrial	Abn-Amro	1.00	9.2	12.0	14.8	17.6	20.4
Abn-Amro Global Infrastructure	LU0100000014	Infrastructure	Abn-Amro	1.00	8.8	11.6	14.4	17.2	20.0
Abn-Amro Global Environmental	LU0100000015	Environmental	Abn-Amro	1.00	7.5	10.3	13.1	15.9	18.7
Abn-Amro Global Social	LU0100000016	Social	Abn-Amro	1.00	6.2	9.0	11.8	14.6	17.4
Abn-Amro Global Governance	LU0100000017	Governance	Abn-Amro	1.00	5.5	8.3	11.1	13.9	16.7
Abn-Amro Global Ethics	LU0100000018	Ethics	Abn-Amro	1.00	4.8	7.6	10.4	13.2	16.0
Abn-Amro Global Sustainability	LU0100000019	Sustainability	Abn-Amro	1.00	4.1	6.9	9.7	12.5	15.3
Abn-Amro Global Impact	LU0100000020	Impact	Abn-Amro	1.00	3.5	6.3	9.1	11.9	14.7
Abn-Amro Global Positive	LU0100000021	Positive	Abn-Amro	1.00	2.8	5.6	8.4	11.2	14.0
Abn-Amro Global Negative	LU0100000022	Negative	Abn-Amro	1.00	2.1	4.9	7.7	10.5	13.3
Abn-Amro Global Exclusion	LU0100000023	Exclusion	Abn-Amro	1.00	1.5	4.3	7.1	9.9	12.7
Abn-Amro Global Inclusion	LU0100000024	Inclusion	Abn-Amro	1.00	0.8	3.6	6.4	9.2	12.0
Abn-Amro Global Integration	LU0100000025	Integration	Abn-Amro	1.00	0.2	3.0	5.8	8.6	11.4
Abn-Amro Global Engagement	LU0100000026	Engagement	Abn-Amro	1.00	0.5	3.3	6.1	8.9	11.7
Abn-Amro Global Dialogue	LU0100000027	Dialogue	Abn-Amro	1.00	0.1	2.9	5.7	8.5	11.3
Abn-Amro Global Collaboration	LU0100000028	Collaboration	Abn-Amro	1.00	0.0	2.6	5.4	8.2	11.0
Abn-Amro Global Partnership	LU0100000029	Partnership	Abn-Amro	1.00	0.0	2.3	5.1	7.9	10.7
Abn-Amro Global Alliance	LU0100000030	Alliance	Abn-Amro	1.00	0.0	2.0	4.8	7.6	10.4
Abn-Amro Global Network	LU0100000031	Network	Abn-Amro	1.00	0.0	1.7	4.5	7.3	10.1
Abn-Amro Global Community	LU0100000032	Community	Abn-Amro	1.00	0.0	1.4	4.2	7.0	9.8
Abn-Amro Global Stakeholder	LU0100000033	Stakeholder	Abn-Amro	1.00	0.0	1.1	3.9	6.7	9.5
Abn-Amro Global Interest	LU0100000034	Interest	Abn-Amro	1.00	0.0	0.8	3.6	6.4	9.2
Abn-Amro Global Influence	LU0100000035	Influence	Abn-Amro	1.00	0.0	0.5	3.3	6.1	8.9
Abn-Amro Global Power	LU0100000036	Power	Abn-Amro	1.00	0.0	0.2	3.0	5.8	8.6
Abn-Amro Global Authority	LU0100000037	Authority	Abn-Amro	1.00	0.0	0.0	2.7	5.5	8.3
Abn-Amro Global Credibility	LU0100000038	Credibility	Abn-Amro	1.00	0.0	0.0	2.4	5.2	8.0
Abn-Amro Global Reputability	LU0100000039	Reputability	Abn-Amro	1.00	0.0	0.0	2.1	4.9	7.7
Abn-Amro Global Trustworthiness	LU0100000040	Trustworthiness	Abn-Amro	1.00	0.0	0.0	1.8	4.6	7.4
Abn-Amro Global Integrity	LU0100000041	Integrity	Abn-Amro	1.00	0.0	0.0	1.5	4.3	7.1
Abn-Amro Global Honesty	LU0100000042	Honesty	Abn-Amro	1.00	0.0	0.0	1.2	4.0	6.8
Abn-Amro Global Transparency	LU0100000043	Transparency	Abn-Amro	1.00	0.0	0.0	0.9	3.7	6.5
Abn-Amro Global Accountability	LU0100000044	Accountability	Abn-Amro	1.00	0.0	0.0	0.6	3.4	6.2
Abn-Amro Global Responsibility	LU0100000045	Responsibility	Abn-Amro	1.00	0.0	0.0	0.3	3.1	5.9
Abn-Amro Global Commitment	LU0100000046	Commitment	Abn-Amro	1.00	0.0	0.0	0.0	2.8	5.6
Abn-Amro Global Dedication	LU0100000047	Dedication	Abn-Amro	1.00	0.0	0.0	0.0	2.5	5.3
Abn-Amro Global Devotion	LU0100000048	Devotion	Abn-Amro	1.00	0.0	0.0	0.0	2.2	5.0
Abn-Amro Global Loyalty	LU0100000049	Loyalty	Abn-Amro	1.00	0.0	0.0	0.0	1.9	4.7
Abn-Amro Global Fidelity	LU0100000050	Fidelity	Abn-Amro	1.00	0.0	0.0	0.0	1.6	4.4
Abn-Amro Global Faithfulness	LU0100000051	Faithfulness	Abn-Amro	1.00	0.0	0.0	0.0	1.3	4.1
Abn-Amro Global Reliability	LU0100000052	Reliability	Abn-Amro	1.00	0.0	0.0	0.0	1.0	3.8
Abn-Amro Global Dependability	LU0100000053	Dependability	Abn-Amro	1.00	0.0	0.0	0.0	0.7	3.5
Abn-Amro Global Surety	LU0100000054	Surety	Abn-Amro	1.00	0.0	0.0	0.0	0.4	3.2
Abn-Amro Global Certainty	LU0100000055	Certainty	Abn-Amro	1.00	0.0	0.0	0.0	0.1	2.9
Abn-Amro Global Assurance	LU0100000056	Assurance	Abn-Amro	1.00	0.0	0.0	0.0	0.0	2.6
Abn-Amro Global Guarantee	LU0100000057	Guarantee	Abn-Amro	1.00	0.0	0.0	0.0	0.0	2.3
Abn-Amro Global Vouch	LU0100000058	Vouch	Abn-Amro	1.00	0.0	0.0	0.0	0.0	2.0
Abn-Amro Global Testify	LU0100000059	Testify	Abn-Amro	1.00	0.0	0.0	0.0	0.0	1.7
Abn-Amro Global Attest	LU0100000060	Attest	Abn-Amro	1.00	0.0	0.0	0.0	0.0	1.4
Abn-Amro Global Confirm	LU0100000061	Confirm	Abn-Amro	1.00	0.0	0.0	0.0	0.0	1.1
Abn-Amro Global Verify	LU0100000062	Verify	Abn-Amro	1.00	0.0	0.0	0.0	0.0	0.8
Abn-Amro Global Check	LU0100000063	Check	Abn-Amro	1.00	0.0	0.0	0.0	0.0	0.5
Abn-Amro Global Examine	LU0100000064	Examine	Abn-Amro	1.00	0.0	0.0	0.0	0.0	0.2
Abn-Amro Global Inspect	LU0100000065	Inspect	Abn-Amro	1.00	0.0	0.0	0.0	0.0	0.0
Abn-Amro Global Investigate	LU0100000066	Investigate	Abn-Amro	1.00	0.0	0.0	0.0	0.0	0.0
Abn-Amro Global Research	LU0100000067	Research	Abn-Amro	1.00	0.0	0.0	0.0	0.0	0.0
Abn-Amro Global Study	LU0100000068	Study	Abn-Amro	1.00	0.0	0.0	0.0	0.0	0.0
Abn-Amro Global Analyze	LU0100000069	Analyze	Abn-Amro	1.00	0.0	0.0	0.0	0.0	0.0
Abn-Amro Global Evaluate	LU0100000070	Evaluate	Abn-Amro	1.00	0.0	0.0	0.0	0.0	0.0
Abn-Amro Global Assess	LU0100000071	Assess	Abn-Amro	1.00	0.0	0.0	0.0	0.0	0.0
Abn-Amro Global Measure	LU0100000072	Measure	Abn-Amro	1.00	0.0	0.0	0.0	0.0	0.0
Abn-Amro Global Quantify	LU0100000073	Quantify	Abn-Amro	1.00	0.0	0.0	0.0	0.0	0.0
Abn-Amro Global Calculate	LU0100000074	Calculate	Abn-Amro	1.00	0.0	0.0	0.0	0.0	0.0
Abn-Amro Global Compute	LU0100000075	Compute	Abn-Amro	1.00	0.0	0.0	0.0	0.0	0.0
Abn-Amro Global Determine	LU0100000076	Determine	Abn-Amro	1.00	0.0	0.0	0.0	0.0	0.0
Abn-Amro Global Ascertain	LU0100000077	Ascertain	Abn-Amro	1.00	0.0	0.0	0.0	0.0	0.0
Abn-Amro Global Discover	LU0100000078	Discover	Abn-Amro	1.00	0.0	0.0	0.0	0.0	0.0
Abn-Amro Global Find	LU0100000079	Find	Abn-Amro	1.00	0.0	0.0	0.0	0.0	0.0
Abn-Amro Global Locate	LU0100000080	Locate	Abn-Amro	1.00	0.0	0.0	0.0	0.0	0.0
Abn-Amro Global Identify	LU0100000081	Identify	Abn-Amro	1.00	0.0	0.0	0.0	0.0	0.0
Abn-Amro Global Recognize	LU0100000082	Recognize	Abn-Amro	1.00	0.0	0.0	0.0	0.0	0.0
Abn-Amro Global Acknowledge	LU0100000083	Acknowledge	Abn-Amro	1.00	0.0	0.0	0.0	0.0	0.0
Abn-Amro Global Admit	LU0100000084	Admit	Abn-Amro	1.00	0.0	0.0	0.0	0.0	0.0
Abn-Amro Global Confess	LU0100000085	Confess	Abn-Amro	1.00	0.0	0.0	0.0	0.0	0.0
Abn-Amro Global Declare	LU0100000086	Declare	Abn-Amro	1.00	0.0	0.0	0.0	0.0	0.0
Abn-Amro Global Proclaim	LU0100000087	Proclaim	Abn-Amro	1.00	0.0	0.0	0.0	0.0	0.0
Abn-Amro Global Announce	LU0100000088	Announce	Abn-Amro	1.00	0.0	0.0	0.0	0.0	0.0
Abn-Amro Global Reveal	LU0100000089	Reveal	Abn-Amro	1.00	0.0	0.0	0.0	0.0	0.0
Abn-Amro Global Uncover	LU0100000090	Uncover	Abn-Amro	1.00	0.0	0.0	0.0	0.0	0.0
Abn-Amro Global Extract	LU0100000091	Extract	Abn-Amro	1.00	0.0	0.0	0.0	0.0	0.0
Abn-Amro Global Delineate	LU0100000092	Delineate	Abn-Amro	1.00	0.0	0.0	0.0	0.0	0.0
Abn-Amro Global Describe	LU0100000093	Describe	Abn-Amro	1.00	0.0	0.0	0.0	0.0	0.0
Abn-Amro Global Detail	LU0100000094	Detail	Abn-Amro	1.00	0.0	0.0	0.0	0.0	0.0
Abn-Amro Global Elaborate	LU0100000095	Elaborate	Abn-Amro	1.00	0.0	0.0	0.0	0.0	0.0
Abn-Amro Global Expand	LU0100000096	Expand	Abn-Amro	1.00	0.0	0.0	0.0	0.0	0.0
Abn-Amro Global Enlarge	LU0100000097	Enlarge	Abn-Amro	1.00	0.0	0.0	0.0	0.0	0.0
Abn-Amro Global Increase	LU0100000098	Increase	Abn-Amro	1.00	0.0	0.0	0.0	0.0	0.0
Abn-Amro Global Amplify	LU0100000099	Amplify	Abn-Amro	1.00	0.0	0.0	0.0	0.0	0.0
Abn-Amro Global Augment	LU0100000100	Augment	Abn-Amro	1.00	0.0	0.0	0.0	0.0	0.0
Abn-Amro Global Enhance	LU0100000101	Enhance	Abn-Amro	1.00	0.0	0.0	0.0	0.0	0.0
Abn-Amro Global Improve	LU0100000102	Improve	Abn-Amro	1.00	0.0	0.0	0.0	0.0	0.0
Abn-Amro Global Upgrade	LU0100000103	Upgrade	Abn-Amro	1.00	0.0	0.0	0.0	0.0	0.0
Abn-Amro Global Refine	LU0100000104	Refine	Abn-Amro	1.00	0.0	0.0	0.0	0.0	0.0
Abn-Amro Global Perfect	LU0100000105	Perfect	Abn-Amro	1.00	0.0	0.0	0.0	0.0	0.0
Abn-Amro Global Optimize	LU0100000106	Optimize	Abn-Amro	1.00	0.0	0.0	0.0	0.0	0.0
Abn-Amro Global Maximize	LU0100000107	Maximize	Abn-Amro	1.00	0.0	0.0	0.0	0.0	0.0
Abn-Amro Global Minimize	LU0100000108	Minimize	Abn-Amro	1.00	0.0	0.0	0.0	0.0	0.0
Abn-Amro Global Reduce	LU0100000109	Reduce	Abn-Amro	1.00	0.0	0.0	0.0	0.0	0.0
Abn-Amro Global Decrease	LU0100000110	Decrease	Abn-Amro	1.00	0.0	0.0	0.0	0.0	0.0
Abn-Amro Global Lessen	LU0100000111	Lessen	Abn-Amro	1.00	0.0	0.0	0.0	0.0	0.0
Abn-Amro Global Diminish	LU0100000112	Diminish	Abn-Amro	1.00	0.0	0.0	0.0	0.0	0.0
Abn-Amro Global Curtail	LU0100000113	Curtail	Abn-Amro	1.00	0.0	0.0	0.0	0.0	0.0
Abn-Amro Global Restrict	LU0100000114	Restrict	Abn-Amro	1.00	0.0	0.0	0.0	0.0	0.0
Abn-Amro Global Limit	LU0100000115	Limit	Abn-Amro	1.00	0.0	0.0	0.0	0.0	0.0
Abn-Amro Global Constrain	LU0100000116	Constrain	Abn-Amro	1.00	0.0	0.0	0.0	0.0	0.0
Abn-Amro Global Bind	LU0100000117	Bind	Abn-Amro	1.00	0.0	0.0	0.0	0.0	0.0
Abn-Amro Global Tie	LU0100000118	Tie	Abn-Amro	1.00	0.0	0.0	0.0	0.0	0.0

4 pm close January 16

NEW YORK STOCK EXCHANGE PRICES

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WORLD MARKETS AT A GLANCE

Real-time weather posted on weather.com except Chicagoan photo. *Sho Low* measured every 15 minutes. *Sho High* measured every 15 minutes.

NASDAQ NATIONAL MARKET

AMEX PRICES

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FT GUIDE TO THE WEEK

MONDAY 19

Pinning down the Emu

European finance ministers meet in Brussels, with Gordon Brown, the UK chancellor, as chairman, to discuss issues raised by monetary union, notably the Italian budget - a topic of particular sensitivity since Italy's bid to join the single currency has provoked more controversy than most. However, ministers will be careful not to anticipate the decision scheduled for May on which countries are eligible for Euro. Other matters to be discussed are the priorities of the UK presidency of the European Union, the timetable for monetary union, denominations and technical specifications of euro coins, and measurement of financial intermediation services within countries' national accounts.

Health matters

The nomination of a new director-general to succeed Dr Hiroshi Nakajima of Japan will be the main item on the agenda of the 32-member executive board of the World Health Organisation at its meeting in Geneva (to January 28). Dr Gro Harlem Brundtland, former Norwegian prime minister, is thought to be the front runner in a six-strong field. Apart from the nomination, to be announced on January 27, the executive board will discuss a draft global health policy for the 21st century and WHO reform.

Euro-Arctic talks



The Barents Euro-Arctic Council of foreign ministers from the four Nordic countries and Russia is meeting in Lulea, the capital of Swedish Lapland, for two days of discussions on trade and environmental issues in the Barents region. Hans van den Broek, the EU commissioner for foreign relations, will attend together with representatives of the European Bank for Reconstruction and Development and the World Bank. It is the fifth meeting of the Barents Council since its formation five years ago. Observers from countries including the US, the UK, Japan and Germany are also due to attend.

Recruit result

The Tokyo high court is expected to reach a decision in the case of former vice-education minister Kunio Takahashi, accused in the Recruit shares-for-favours bribery case.

Help for the helpers

Experts in humanitarian law meet in Geneva to discuss the protection of staff of humanitarian organisations and the appropriate response to armed conflicts in the context of disintegrating state structures. The week-long meeting hosted by the Swiss



Both president Fidel Castro and Pope John Paul II insist there is nothing political about the pontiff's first visit to Cuba

government, which acts as depositary of the Geneva conventions that protect non-combatants in times of war, follows a spate of attacks on aid workers in recent years. Also in the spotlight will be the increasingly brutal nature of today's armed conflicts which often deliberately target civilians.

Hague tribunal

The trial of Serb Slavko Dokmanovic, former mayor of Vukovar charged with involvement in the murder of 280 Croat men taken from the town's hospital in November 1991, begins at the UN war crimes tribunal in The Hague.

Inspection team

The Japanese finance ministry's financial inspection department, banking bureau and international finance bureau meet US officials led by comptroller of the currency Eugene Ludwig to discuss financial inspection issues in Tokyo.

FT Survey

Business Education.

Holidays

US, New Zealand.

TUESDAY 20

Something in the air

Japan and the US hold vice-ministerial talks on a revision of their 1952 bilateral aviation agreement in Washington. The two nations appear to be closer to an agreement on ways to liberalise the Japanese market: specific measures on expanding code-sharing.

beyond-rights and airport slots are on the table. According to US sources, Japan and the US will set the stage for a four-year transitional agreement with a provision for further negotiations in the fourth year aiming further to liberalise flights between the two nations and to third nations.

Disarmament talks

The Geneva-based United Nations Conference on Disarmament, responsible for negotiating a comprehensive nuclear test ban treaty in 1996, holds its first plenary session of the year. Its 61 members will be hoping for an early end to the deadlock that prevented the conference from doing any substantive work last year. Topping the western agenda are negotiations on a global landmines ban and an end to the production of weapons-grade fissile material - but developing countries have held up these talks by insisting on parallel negotiations on complete nuclear disarmament which the nuclear powers have refused.

Defence moves

US defence secretary William Cohen ends a visit to China and goes to Tokyo for a meeting with prime minister Ryutaro Hashimoto and defence minister Fumio Kyuma. He travels to Korea on Wednesday.

Chewing the fat

This month's meeting of agriculture ministers in Brussels, under the chairmanship of Jack Cunningham, UK agriculture secretary, will be confined to one day rather than the usual two. Up for discussion will be proposals by the European Commission to meet

World Trade Organisation objections to the way the EU imports bananas, and a ruling by the WTO last week on the EU's fight with the US over beef-treated hormones. The British presidency will also spell out its objectives for the six months ahead.

Peace fund

The World Bank launches the \$100m Peace Technology Fund, an investment fund for the Palestinian autonomous territories. Signatories include Palestinian leader Yassir Arafat, Shimon Peres, the former Israeli prime minister and World Bank president James Wolfensohn.

Ceasefire hope

Leaders of the opposing sides in the long-running civil conflict in Papua New Guinea's island of Bougainville meet for talks on formalising a ceasefire in Christchurch, New Zealand.

Czech post

Vaclav Havel, the former dissident playwright, faces re-election in the largely ceremonial role of Czech president by members of both houses of parliament. Mr Havel has been president of first Czechoslovakia and then the Czech Republic since 1989, and is the overwhelming favourite to win a second five-year term. He is likely to face rival candidates nominated by the Communist party and the far-right Republican party, but he is officially backed by all the other main parties. However, he is not certain of winning the required majority in each house in the first round and there is also a possibility that the Republicans may obstruct the vote. Mr Havel, 61, had

part of one lung removed last year, but has had to play a more active role in politics in recent months after the government collapsed in November.

Political view

A delegation from the European Union, Organisation for Security and Co-operation in Europe and the Council of Europe visits Albania to observe political development there.

Holidays

Brazil, Iran.

WEDNESDAY 21

Papal visit

Pope John Paul II pays a five-day visit to Cuba, his first to the communist-ruled Caribbean island. The visit is the result of an improvement in relations in recent years between the Catholic Church and President Fidel Castro's Communist party government, easing the mutual hostility of the early years of the 1959 Cuban revolution. Some 3,000 foreign journalists and at least 14,000 pilgrims and other visitors, including a contingent of Cuban exiles from the US, are expected to converge on the island. Both the Vatican and the Cuban government have been seeking to dampen speculation that the Papal visit will produce concrete political results, such as a thaw in US-Cuban relations or democratic changes inside Cuba. Both sides stress that the visit is pastoral in nature. But the Catholic Church is certainly hoping the visit will strengthen its position in Cuban society and open the way for an expansion of its activities.

FT Survey

Indian Power.

THURSDAY 22

Complaints

The World Trade Organisation meets in Geneva to consider three requests for dispute panels. Two of these relate to complaints brought by the US, one alleging unfair subsidies for Australian manufacturers of leather for car seats and the other charging Ireland with breaches of WTO rules on copyright protection. The third is a European Union complaint against South Korean restrictions on dairy products.

Cape crusader

The space shuttle Endeavour is scheduled for take-off from Cape Canaveral, Florida, for rendezvous and docking on Friday with the Mir space station where US astronaut Andy Thomas will replace David Wolf.

Farm forum

An international agricultural forum on EU farm policy and world trade is held in Berlin ahead of the new World Trade Organisation round of trade talks, organised by German farm union DBV. Speakers include EU farm commissioner Franz Fischler

and representatives from European agriculture ministries and farm unions.

Baltic exchange

Eleven heads of state and government of the Council of Baltic Sea States including German chancellor Helmut Kohl and Russian prime minister Viktor Chernomyrdin meet in Riga to discuss co-operation to combat crime, drug smuggling and illegal migration.

Last war treaty

Japan and Russia hold a deputy foreign ministerial meeting to discuss ways to conclude a peace treaty that would formally end the second world war.

FT Survey

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FRIDAY 23

Olympic flame

The Olympic flame arrives in Nagano prefecture after an 18-day journey around Japan. The flame will then travel to 120 cities, towns and villages in the prefecture via three separate routes and be united into one flame at the opening ceremony on February 7. The flame has accidentally blown out several times on the way.

Central Europe summit

The presidents of Ukraine, the Czech Republic, Italy, Hungary, Germany, Poland, Austria, Slovakia, Slovenia, Bulgaria and Russia meet at the fifth annual summit of central European states in Levoca, Slovakia.

FT Survey

Global Investment Banking.

Holidays

Bangladesh.

SATURDAY 24

Chirac visits India

French president Jacques Chirac visits Bombay and holds talks with Indian president K. R. Narayanan and prime minister Inder Kumar Gujral. He goes on to New Delhi on Monday for India's National day celebrations.

Let's have launch

The Khrushchev Space Centre in Moscow unveils the first segment of the Alpha international space station to be sent to the Baikonur launch site in Kazakhstan. The launch is scheduled for later in the year.

Compiled by Roger Beale.
Fax: (+44) (0)11 878 5196.

Other economic news

Monday: UK public sector borrowing for December is expected to show a further small improvement on a year earlier. The first "windfall tax" payment is due, adding £2.6bn to receipts.

Tuesday: Moderate M3 money supply growth in Germany for December should still be below 5 per cent. Germany's trade balance is likely to remain positive thanks to strong exports.

Wednesday: The US balance of payments deficit for November is likely to widen, following the relatively sharp \$1.5bn contraction in October. Japan's trade balance may see another Yib-plus surplus.

UK retail sales for December are also published, and include the start of the New Year sales period.

Thursday: Housing starts in the US are expected to have reached around 1.5m for the fourth consecutive month, thanks to mild winter weather.

Friday: German consumer price rises are predicted to be weak this month, reducing the chances of a Bundesbank interest rate increase.

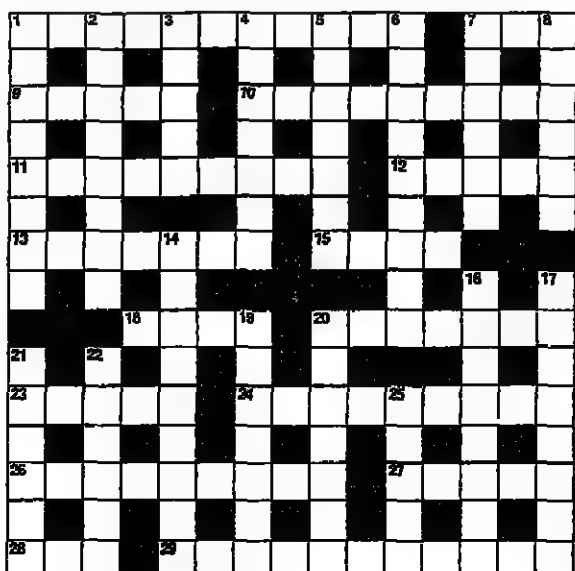
Statistics to be released this week

Day	Released	Country	Economic Statistic	Median Forecast	Previous Actual	Day	Released	Country	Economic Statistic	Median Forecast	Previous Actual
Mon		Japan	Nov machinery orders ex-fact & ships	-10.0%	-14.3%	Jan 22		US	Dec housing starts	1.52m	1.53m
Jan 19		Japan	Nov machinery orders ex-fact & ships	-4.7%	16.3%			US	Dec building permits		1.45m
		UK	Dec public sector borrowing requirement £300m		£2.3bn			US	Initial claims Jan 17	325k	335k
		Canada	Dec leading indicators	0.5%	0.6%			US	State benefits Jan 10		2377k
Tues		Germany	Nov trade balance	DM11.3bn	DM10.9bn			US	M1 week ended Jan 12	\$-7.3bn	\$9.6bn
Jan 20		Germany	Nov current account	DM0.0bn	DM-5.0bn			US	M2 week ended Jan 12	\$-2.8bn	\$8.8bn
		UK	Dec vehicle production		N/A			US	M3 week ended Jan 12	\$0.1bn	\$18.1bn
		Canada	Nov manufacturing new orders	0.5%	2.1%	Fri		UK	Q4 prelim gross domestic product	0.6%	0.8%
		US	Bank of Tokyo-Mitsubishi Jan 17		0.3%	Jan 23		UK	Q4 prelim gross domestic product	3.3%	3.7%
		US	Redbook Jan 17		1.9%			Canada	Q4 housing starts	158k	148.7k
Weds		Japan	Nov industrial production		-4.1%			Canada	Nov retail sales	0.6%	0.3%
Jan 21		Japan	Nov shipments		-5.3%			US	Dec treasury budget	\$19.0bn	\$-17.3bn
		Germany	Dec fto west business climate index	98.8	99.1	Sat		Taiwan	Dec M2		7.30%
		Germany	Dec fto west balance format		3.5	Jan 24		Malaysia	Nov manufacturing sales		16.1%
		UK	Dec retail sales	0.5%	-0.4%						
		UK	Dec retail sales	6.1%	4.6%						
		UK	Dec M4	0.5%	0.8%						
		UK	Dec M4	11.5%	10.5%						
		UK	Dec M4 lending	\$4.0bn	\$7.2bn						
		US	Nov trade: goods & services	-\$10.2bn	-\$9.7bn						
		US	Nov goods & servs export (bal of pay)	\$79.9bn	\$80.0bn						
		US	Nov goods & servs import (bal of pay)	\$90.1bn	\$89.7bn						
		Canada	Nov wholesale trade	0.9%	1.8%						
		Japan	Dec trade bal (customs cleared) not	¥1.35tn	¥870tn						
Thurs		France	Nov industrial production	-1.2%	3.3%						

*month on month, **year on year, ***qtr on qtr, † seasonally adjusted Statistics, Standard & Poor's M&S.

- ACROSS
- Eating disorder (11)
 - Successful strike (13)
 - Stand-in copper arrested by acting Herbert (5)
 - Vibrations scare none away (9)
 - Manipulate saw: do it on tree (9)
 - Nobody's heading into the distance with the AA (5)
 - Names brought about by perfect recall? Hardly! (7)
 - Don Juan scrapes together anything loose (4)
 - Clouds moving, look out as clouds move (4)
 - Strip empty box? (7)
 - Boy, some like it hot! (5)
 - Impover date lure? (9)
 - Check carriages in repose (9)
 - Large breast sizes featured in repellent tabloid per-haps? (5)
 - O for the endless river (3)
 - One's bananas, bananas needed to enter Brazil? (11)

- DOWN
- Massive deficit in fuel (8)
 - Addition to cigarettes fills one bed in nine (8)
 - Take hands off peacekeeper? (5)
 - Climbing apparatus, therefore to be seen in mountain climbing (7)
 - One with privileged access to information gets the batting team runs (7)
 - Terrific right! One monk's habit absent here (3-6)
 - Name of composer we hear? (6)
 - Ancient city backstreet accommodates goddess (6)
 - Tea bag goes first, right in (9)
 - Breakfast time? (8)
 - Charges with the responsibility of making test runs (8)
 - Frank perhaps wants ambush set up, then it's organised (7)
 - Token riposte (7)
 - Slippery slope providing awful risk to one in Gren-oble? (3,3)
 - Runs out of gas, the Span-ish fuel (6)
 - Note on doctor's prescription maybe? (5)



WINNERS 9,584: B.M. Aish, Warrington, Surrey; winner D. Oram, Brookmans Park, Herts; P.C.R. O'Ferrall, Godalming, Surrey; Mrs M. Scott, Sidcup, Kent.

MONDAY PRIZE CROSSWORD

No.9,584 Set by BATS

Six bottles of Davys Celebration Champagne for the first correct solution opened and three runners-up prizes of \$40 Davys food and wine vouchers redeemable in person or by post. These prizes are available only to winners living in England, Scotland and Wales. Winners with overseas addresses will receive a set of silver-plated place name bases and cards. Solutions by Thursday January 29, marked Monday Crossword 9,584 on the envelope, to the Financial Times, 1 Southwark Bridge, London SE1 9HL. Solution on Monday February 2. Please allow 28 days for delivery of prizes.

Name.....
Address.....

Solution 9,573

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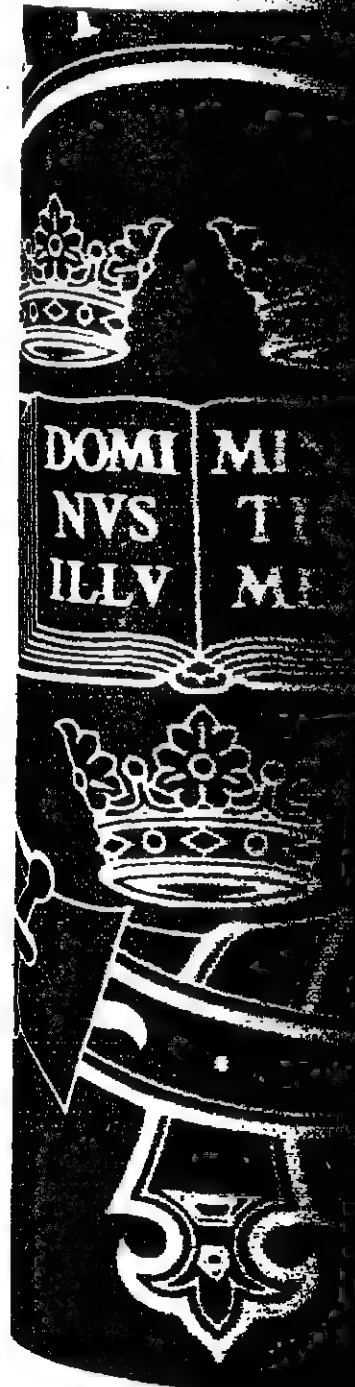
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BUSINESS EDUCATION

Europe's MBA schools are responding to calls for the promotion of a world view in business. Della Bradshaw reports

Opting for a broadened outlook

In 1993 Brett Rierson, a manager from Milwaukee, decided to study for an MBA. His most obvious choice would have been to attend one of the big US business schools but he chose instead to attend Insead, in Fontainebleau, near Paris.

Today, based in London and now vice-president for the international arts and non-profit division of AT Kearney, he has no doubt that he made the right decision. "Going to a US school would have helped me work in the US. Instead opened the door for me in Europe." With Insead commanding a growing reputation in the US he says he could easily get a job of commensurate status if he returned to the US.

The advantage has been more than just geographical. The huge mix in nationality of both students and faculty means that the curriculum taught at Insead is intrinsically international in perspective, he says. Mr Rierson believes the outlook offered by Insead is what businesses seek from their managers today. "Four years ago you didn't hear about all these global issues but now if you listen to the people who are recruiting, what they want are global managers."

While European business schools have traditionally been seen as the poor relations of their US rivals, these

days US companies are increasingly looking to Europe to fill their MBA recruitment quotas.

Initially their requirements have been for MBAs living in Europe to staff their European offices, says Kaj Denzel, IMD's director of admissions and career service. "They are beginning to realise that rather than recruit MBAs in the US and send them across, or going to the expense of relocating existing managers from the US with their families, there are better qualified people over here already."

Many big organisations are altering their recruitment lists, she says. Instead of recruiting at the 15 top US business schools they are looking at 10 US schools and a handful of European schools.

In the past year, US recruitment has gone one step further, notes Ms Denzel. Seven of the graduating class of '83 at IMD were offered jobs in the US, and only three of the candidates were Americans. "The challenge is to get a US recruiter to come to IMD and say they want to recruit for Europe, the US and Asia," she says.

The trend is particularly noticeable in sectors which are strong recruiters of MBAs, noticeably consultancy and banking. In the past two years the Wall

Street recruiters forum, in which America's biggest banks brief business schools on their requirements for MBA graduates, has invited career development officers from some European schools to attend, alongside a score of their US peers.

Increasingly the profile of staff sought by banks reflects a more European or international perspective, says Tony Summers, director of career planning at the Erasmus graduate school of business at the Rotterdam School of Management. "One bank went as far as to say it was considering whether to insist that its recruits speak two languages."

With most European

schools eager to increase the proportion of their foreign students - for sound academic as well as financial reasons - most of them can easily outstrip their US counterparts in an international student headcount.

A look at the top regional schools in the UK serves to prove the point. At the University of Bath 50 per cent of the intake on the full-time MBA programme is from outside the UK; at Nottingham university school of management and finance the figure is 65 per cent; and at Lancaster university management school 82 per cent are from overseas. The international bias, however, does not extend to the faculty.

By comparison, the vast majority of faculty from the bigger international schools are foreign nationals. At Insead, for example, only 15 of the 100 faculty are French and more than a quarter of the staff - 26 per cent - are from the US. In all, 24 different nationalities are represented on the faculty list.

At IMD, in Switzerland, the figures are equally international: only five of the 43 faculty are Swiss. Again the largest contingent - 10 - is from the US.

At London Business School 54 per cent of the faculty are from outside the UK. In 1989 the percentage of non-UK faculty stood at just 20 per cent. At Erasmus, 50

per cent of the faculty on the MBA programme are Dutch, the other 50 per cent from overseas.

While it is hard to think of any top-ranking US business school that has a dean from outside the US, Europe's three most prestigious schools have until recently all had overseas principals.

Insead's Antonio Borges is from Portugal, IMD's Peter Lorange is from Norway and George Bain at London Business School (who left in December) was Canadian.

Even the replacement principal at LBS, Briton John Quelch, who will take up his new role in the summer, has spent all his career at North American business schools.

As to Mr Rierson, he was by no means the only US respondent to the FT survey of European MBA graduates* who valued the international education available at a European school. Tara Whitehead returned to the US to work as a management consultant for the IBM Consulting Group in Atlanta, Georgia, after completing her MBA in the Netherlands at Nijenrode.

Her decision to study at Nijenrode was due to a wish to distinguish herself from the thousands of other MBA graduates who flood the US job market every year. She believes American managers considering an MBA degree are limiting their options if

IN THIS SURVEY

■ FT Guide to European MBAs:

Survey results: What 757 MBA graduates have to say about their programmes Page 2

Company sponsorship: What are the benefits and problems? Page 2

The top MBA schools in Europe: A review of the best schools Page 3

Investment banks and management consultancy: The two biggest recruiters of MBA graduates Page 4

Part-time degrees: Does this alternative deliver the same career benefits to students? Page 5

■ Business Education:

Distance learning: An alternative to conventional MBA study Page 5

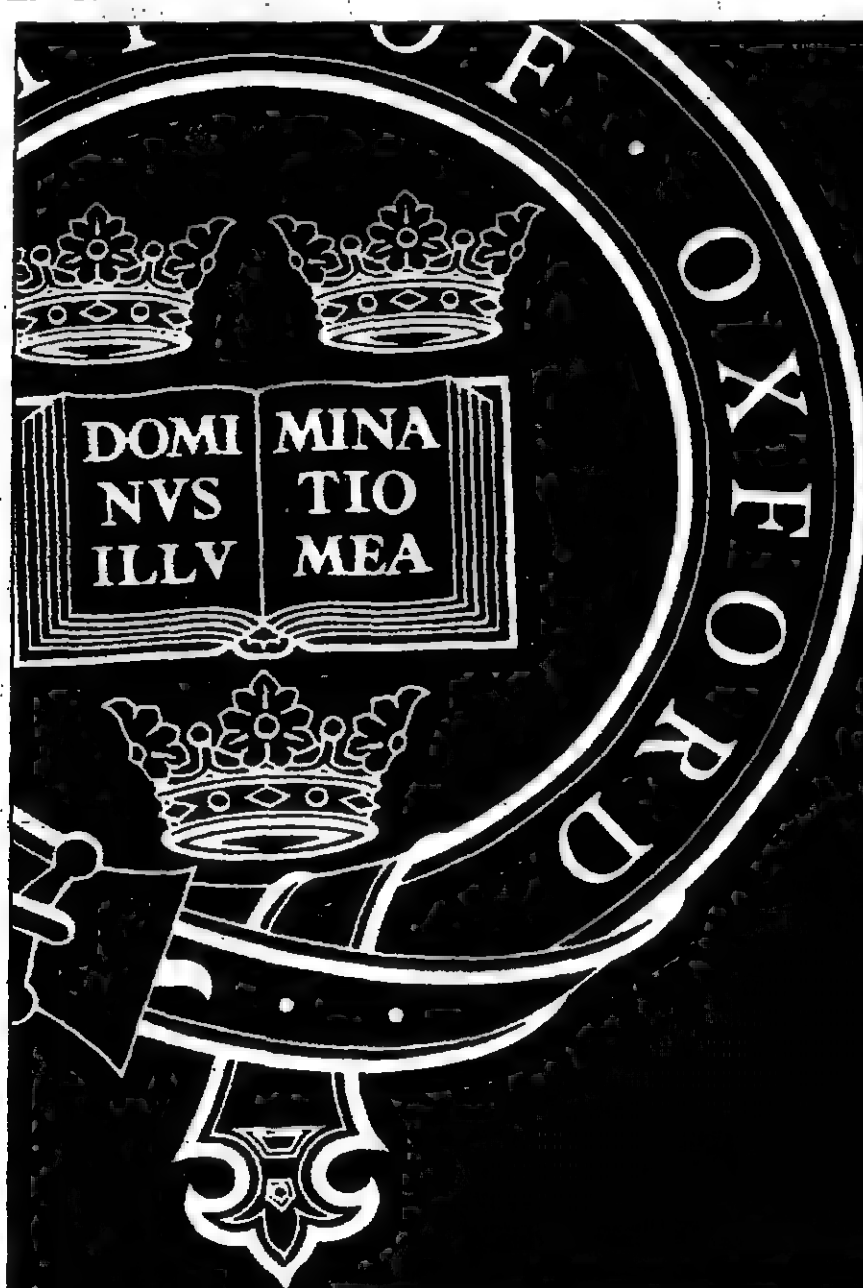
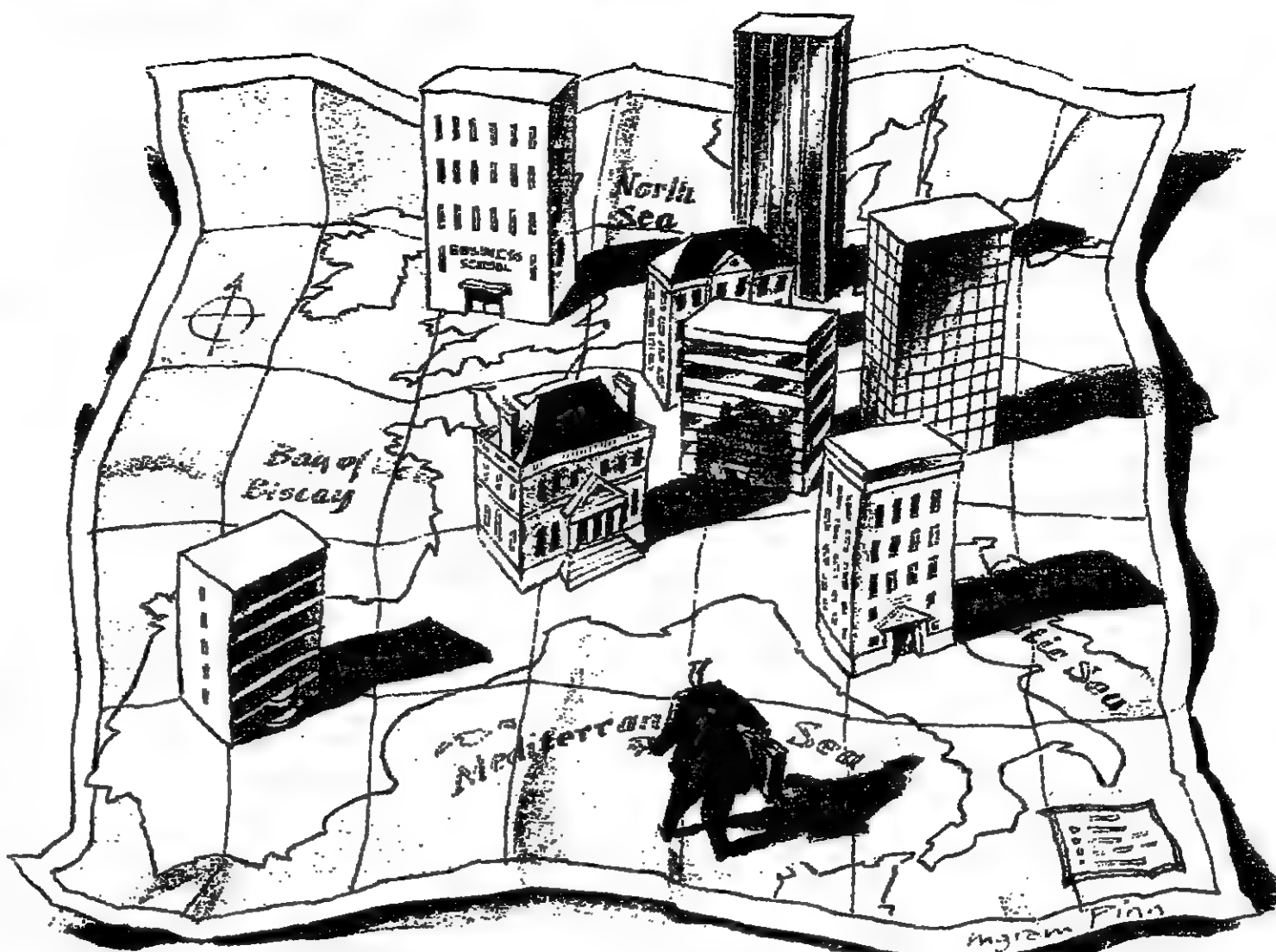
Share dealing: Some schools have built trading rooms to assist the study of financial markets Page 6

The general manager: Making the leap into executive positions Page 7

Profiles: Essec, Yale School of Management and University of Capetown Page 8

they do not investigate programmes outside the US. "What I really valued about the course was that you could take the programme and put it anywhere in the world. It had international students and faculty and visits from international executives." Moreover, she says, it enabled her to spend a year overseas. "It gave me the opportunity to look at my own country from a completely different perspective."

*The FT survey, reported on the next few pages, looks at the career progression of more than 1,200 MBAs who graduated from European schools in 1994.



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The full-time route to finance

Schools listed according to the salaries their alumni earn today

School	Length of course (months)	% of overseas students in 1997 intake	Average job offers per student (1995-1997)	% of students taking jobs abroad	Employment 3 months after course completion	Ave age of respondents at beginning of course	Ave cost of study (see lost salary) £	Average cost (1997 prices) £	% of alumni using C.D.O.	% achieving profession of choice	Average % increase	Pre MBA salary	Today's salary
IMD	11	85	5	n/a	100	30	74,267	76,267	31	52	115	39,797	55,737
INSEAD	11	86	4	n/a	98	28	63,601	66,788	44	57	127	33,253	75,622
London Business School	21	20	2.3	55	98	28	79,224	84,857	46	56	174	25,525	63,255
Warwick Business School	12	60	2.5	18	96	31	50,093	54,341	12	71	97	32,189	53,426
Ashridge Management College	12	34	n/a	36	96	33	67,160	72,855	0	73	66	33,654	55,207
Cranfield School of Management	12	41	3.3	20	95	30	46,950	50,932	11	61	87	27,757	54,256
EAP, European School of Management	12	74	1.7	65	100	30	53,102	55,763	13	38	91	28,425	54,152
IEP, Institut d'Etude Polytechnique de Paris	9	55	4.0	30	100	30	51,837	54,434	8	54	52	33,967	51,715
City University Business School	12	41	2.5	5	n/a	29	50,014	54,255	11	77	47	34,778	51,260
RSM Erasmus	18	57	3.5	10	90	26	46,623	49,472	11	33	91	26,183	50,036
Manchester Business School	18	75	2.5	29	81	26	58,206	63,142	33	67	137	20,634	45,955
Myranode University	12	85	4.3	40	95	27	38,398	40,745	11	61	132	20,405	47,258
HEC	16	40	2.3	41	100	28	47,070	49,428	9	35	72	26,237	45,156
IESE	21	48	2.3	38	97	26	57,691	63,749	50	44	139	18,736	44,653
SDA Bocconi	16	44	2.5	40	90	28	43,531	50,336	24	49	72	21,601	37,178
London Business School	12	82	n/a	n/a	n/a	29	35,299	38,252	6	50	54	21,816	33,506
Instituto de Empresa	15	42	9.3	52	60	27	32,720	36,155	62	57	72	19,359	33,229

Schools listed according to the salaries their alumni earn today. Only schools with greater than 20% response rate are included in this table. 1. Includes alumni from 1992 and 1994. 2. Full programme only. 3. 1992 and 1994 only. 4. Not only. 5. Includes those without salary. 6. Career development course. 7. Institute of Supply & Logistics, not an MBA salary.

FULL-TIME MBAs • by Della Bradshaw

Diverse in style and options

Research the choices before deciding where to go and how much to spend

Last autumn a reader of the Financial Times wrote to the editor complaining about a recruitment advertisement which appeared in the newspaper. In the advert for a top management position the headhunters required all applicants to have an MBA from one of three European business schools: Insead, IMD or London Business School.

The author of the letter, himself a graduate of Erasmus, the graduate school at the Rotterdam School of Management, complained that it was no longer true that there were just three good business schools in Europe.

He clearly had a point. With six schools in our survey enabling alumni to double their salaries in just four or five years, there is a greater choice of reputable schools than ever for the discerning MBA applicant.

Just what determines the final salaries and salary increases among schools in the table is more than just the quality of the course. Age plays an important factor

in determining which of the schools deliver the highest percentage increases.

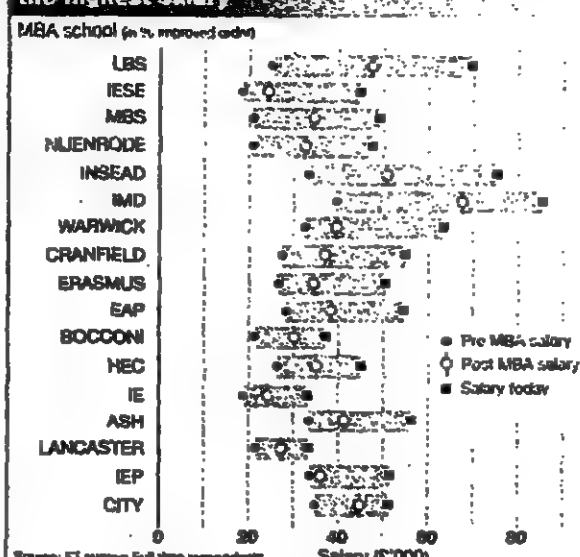
The schools with the youngest students, and therefore earners of the lowest salaries at the outset, fared better in this regard in percentage terms. Interestingly, the two-year programmes, from London Business School and Insead, rather than the one-year programmes, scored highest.

In terms of the salaries earned by 1994 alumni today, it is IMD that tops the charts. Again, age is a factor because IMD students were, on average, two years older than the students who studied with main rivals (Insead and London Business School), and therefore earning more to begin with.

The salaries that IMD participants relinquished in order to do the course averaged £39,797, more than alumni from Bocconi in Italy, or Instituto de Empresa in Spain, had achieved even three years after graduation.

Other statistics also require careful interpretation. City University, for example, tops the table when it comes to the proportion of its full-time students that achieved their desired profession. However, City University's strong links with the City of London financial

The highest increase in the highest salary



centre would inevitably attract students who wanted to move into finance and banking.

It is no surprise, then, that accordingly to respondents from the survey, City had the highest proportion of students of all who went into finance and banking: 40 per cent (see table page 4).

So, too, the cost of doing the course is estimated from the responses to the FT survey by including the average

salary that a student has to forego to study. At IMD the cost is more than £74,000, a high price for a one-year course. But once the average annual salary of nearly £40,000 is removed the figure is much more in line with rival schools.

When the opportunity cost is removed the course at Insead cost the 1993 intake £30,248 on average, while at IMD the figure was an average £34,410.

Where schools have a paid placement in the middle of the course - LBS, Insead, Erasmus and Manchester Business School are four that do - participants can earn thousands of pounds to offset against their tuition costs and living expenses.

The comparative survey was carried out on schools where more than 20 per cent of the students responded to the FT questionnaire. Although a low return does not indicate anything about the quality of the course, a high return may indicate a high degree of loyalty felt for the school by alumni.

The highest percentage return rate came from Warwick Business School, where more than 40 per cent of those targeted responded to the questionnaire.

For those who want to work outside their own country on completing their MBA, several schools stand out. EAP, the European School of Management, with sites in several different European countries is one obvious choice. Of the big schools it is LBS that won approval.

While the powerhouse American business schools, often referred to as "MBA factories" are developing marketing strategies to differentiate themselves from each other, the European

schools are by their very nature a diverse bunch.

EAP is one of the smaller schools in the survey with just 25 students on its full-time programme. Ashridge, had just 23 students in 1997 and the MBA Sciences Po programme at IEP has just 35 students a year. At the other end of the scale Insead is regularly increasing its intake and in 1997 it took in 313 MBA participants. Insead took in 418 students last year to its full-time MBA programme in Barcelona.

Some European programmes last two academic years, the same as most US business courses. Others last only 18 months and some just a year. Some schools have company placements at the end of the first year, others propel their students straight into the job market.

Insead and Erasmus take in two cohorts of students a year, others usually have only one intake. Language requirements vary too. Many schools require participants to speak two languages, while many schools have bilingual programmes.

While most schools are attached to state universities, two of the UK's best-known schools, Ashridge and Henley Management College began as independent management centres.

ANALYSIS The survey results

Assessing the rules of engagement

The Financial Times invited 30 schools who run accredited full-time and part-time programmes to see a table of participants on page that to take part in the survey. We did not include distance learning courses because of the variation in finishing times, usually 1-3 years, and the difficulty in assessing the impact of the course on career progress.

The survey elicited replies from 87 nationalities, resident in 65 countries around the world.

We asked respondents for information from three stages, immediately before they started the MBA, after the MBA and today. The questionnaires were sent to alumni from 1984 and if the total intake for a single year was less than 100, the schools were invited to submit questionnaires to alumni from 1993 as well.

Alumni were chosen for 1984 as it was felt that the three year interval would allow us to assess the value of their degree. Responses from earlier graduates would have reduced the response rate.

In total, 8,817 questionnaires were sent to full and part-time graduates. Of these, 1,302 were returned of which 1,224 were usable. This represents a return of 21 per cent. For the individual school analysis, only schools with returns in excess of 20 per cent were included. Therefore a school's absence does not in any way reflect its performance.

A study which involves international institutions, employment, migration, temporal effects and salaries will have to be assessed carefully. A comparison of students in different countries may be

Parminder Bahra

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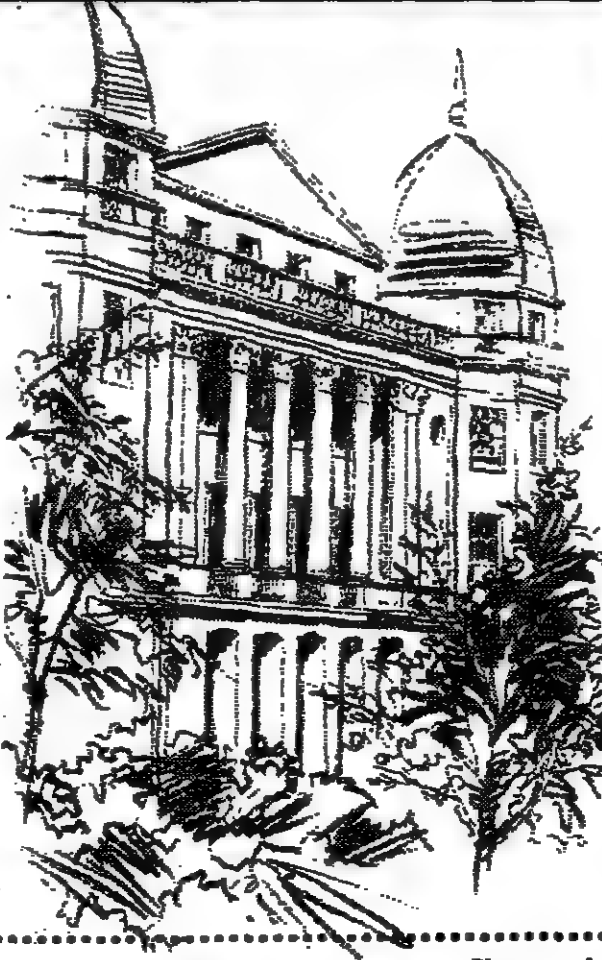
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Sheraton Centre, 123 Queen Street West
New York - Tuesday 20 January at 7.00pm
Le Parker Meridien, 115 W 57th Street
Boston - Thursday 22 January at 6.30pm
Marriott Copley Place, 110 Huntington Avenue
San Francisco - Monday 26th January at 6.30pm
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4 BUSINESS EDUCATION: FT Guide to European MBAs

MANAGEMENT CONSULTANCIES AND INVESTMENT BANKS • by Della Bradshaw

A boom for graduates

Competition for the next wave of top MBA students is fierce in these sectors

Management consultancies and investment banks have won the reputation as the two biggest recruiters of MBA graduates and not without justification.

Following cutbacks by management consultancies earlier in the decade, it is a sector now witnessing an unprecedented boom. With the demand for management consultants growing at a rate of 20 to 30 per cent a year, consultancies are looking for ever increasing numbers of newly-graduated MBAs to plug the gap in their pool of consultants. Today, management consultancies are undoubtedly the biggest single recruiters.

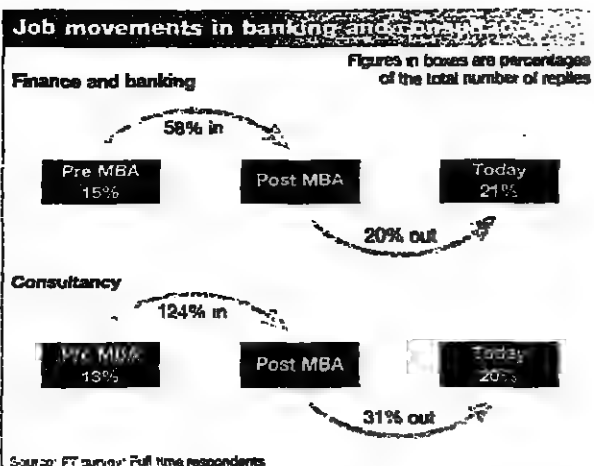
The number of new consultants needed to feed the \$35bn (£21.4bn) a year industry is compounded by the fact that many consultants often leave once it becomes clear that they are not going to make partner level.

As a rule of thumb, the big management consultancies expect eight out of 10 of their consultants to move out of consultancy and into industry within 10 years of joining the firm. (In the FT survey of 1994 graduates, 21 per cent of the total student body took jobs in consultancy on graduation. Three years later nearly a third - 31 per cent - had already moved on.)

The result is that, internationally, the big consultancies alone need to recruit some 2,000 new consultants each year.

Not surprisingly, increased competition has resulted in escalating salary offers. These financial inducements make it hard for the newly-graduating MBA to resist the lure of the big consultancies, says Ian Godden, UK managing partner for management consultancies Booz-Allen & Hamilton.

Mr Godden is responsible for interviewing between 100 and 200 potential consultants for his firm every year. "Despite everything they've learnt at business school about long-term financial planning they are lured by the short-term gain," he says.



The starting salaries offered this year at the established business schools for a 23 or 29-year old MBA average £55,000 to £60,000 a year, but on top of that there is one-off sign-on bonus of £15,000, enough to pay off the fees of many courses. Many students see the sign-on bonus as a sort of belated sponsorship deal, admits Wendy Hall, career development manager at Cranfield, in the UK.

The result is that traditional industrial recruiters have been forced to rethink the salary packages they offer to potential employees to compete with the consultants. Some industrial companies are even pondering the idea of sign-on bonuses themselves says Ms Hall.

As for the consultancies, they are having to spread their nets even wider to draw in the number of new consultants they need to support the business. Gone are the days when it was enough to trawl a handful of big schools - Harvard, MIT,

Stanford and Wharton in the US and Insead in Europe, for example - to get the required numbers.

The beneficiaries have been schools such as Cranfield in the UK and IMD in Switzerland, traditionally seen as recruiting ground for industry. At IMD the firms are particularly looking for consultants to work in specific lines of business such as pharmaceuticals.

Trying to spread the net to the even smaller schools would be prohibitively expensive, says Mr Godden. "There are some great people at the business schools that don't get the ratings but as a commercial decision it is not worth pursuing these schools just for the few."

The banks, too, are following a similar pattern. At the Erasmus school, in Rotterdam, offers by overseas banks, most notably London's investment banks, are swelling the sign-on salaries of its MBA graduates. The school estimates that many

students are actually leaving the one-year MBA course with a salary double the one they enjoyed before starting the course.

Deutsche Morgan Grenfell, for example, recruits 75 MBAs globally, with 30 of those in Europe. Salaries for new recruits are benchmarked globally against the big US banks, which this year means a total starting package of \$120,000.

As well as the big US schools - Harvard, Wharton, MIT, Chicago, Stanford, Columbia - Deutsche Morgan Grenfell targets London Business School, Insead and Erasmus.

Though an MBA is not a prerequisite to becoming a management consultant, it is certainly a big advantage: between 65 and 70 per cent of management consultants have an MBA and the qualification is largely required by clients, says Mr Godden.

The first advantage of an MBA is the business practices that the MBA instills. "MBAs carry the business framework in their heads," says Mr Godden. He adds that Insead undoubtedly produces the most effective consultants of all the European schools, a view which other consultants acknowledge: in 1997 Insead's five biggest recruiters were all management consultancies.

But just as important is the network of students whom they meet on the course. Not only do individual students move into positions where they might need to employ a consultant, the majority of business for management consultants - the figure could be as high as 70 per cent - comes from managers who themselves went to business school.

Although in the short-term management consultancy is seen as a lucrative option, in the long-term it is industry, with its executive salaries and generous share options that is likely to deliver the real financial rewards, says Mr Godden. One consultant who took this route and opted for industry is Archie Norman, chairman of Asda, and a Harvard MBA who did a spell at McKinsey & Co. Newly-elected leader of the UK Conservative party William Hague also worked for McKinsey for a spell between completing his Insead MBA and starting a career in politics.



William Hague, UK Conservative Party leader (left), and Asda chairman, Archie Norman, entered consultancy following MBAs

The schools which are strongest in consultancy, finance

School	% in consultancy post MBA	School	% in finance post MBA	School	% in industry post MBA
INSEAD	37	City University	30	HEC	74
London Business School	32	London Business School	30	HEC	74
Cranfield School of Management	29	RSM Erasmus	27	London Business School	38
Nijenrode	26	ESSE	27	Lancaster University	38
RSM Erasmus	26	Instituto de Empresa	25	ESSE	27

Source: FT Survey

BUSINESS LEADERS' TOP SCHOOLS • by Della Bradshaw

The best for visibility

Europe's business leaders tell the FT where they studied - and where they recruit

Location, fees and employment potential are all factors that come into play when choosing an MBA course. But it might be worth asking where the directors of Europe's biggest companies sought their MBAs.

The maturity of most company directors means their youthful decisions will be an indicator of the quality of the business schools they attended twenty-odd years ago - rather than their quality today. Any information will inevitably be biased against schools which have reached prominence over the past decade - such as Warwick in the UK.

Nonetheless, the information does have contemporary relevance. If the guys at the top have a soft spot for a particular business school this is likely to influence the recruitment patterns of that company. Moreover, any would-be consultants might find it easier to find a job after attending the same school as the boss.

A study of Europe's top 100 companies' reveals some interesting statistics. By far the largest number of company directors surveyed attended the French school Insead, based at Fontainebleau.

Of the 60 members of the top management teams identified - at executive director or management board level - 11 went to Insead. Perhaps more importantly, these directors were spread across the continent, working at companies in the UK, the Netherlands, Switzerland and Germany, as well as France.

By comparison, of the alumni of London Business

School, where seven company board members were identified, four worked in the UK - the other three worked in Spain and Switzerland.

The Cranfield School of Management was cited by five board members, but all work in the UK. In spite of its reputation as an industrial - even "techie" - business school, two of the five directors with Cranfield MBAs worked in service companies and a third in the media.

Of the 23 directors identified with MBAs from US business schools, Harvard, perhaps unsurprisingly, hit the top slot with seven directors while Stanford and Columbia produced four directors each.

Elsewhere there was a sprinkling of local schools providing directors for local companies. Iese, Esade and the Instituto de Empresa, in Spain, Henley and Manchester business schools in the UK, HEC in France, and Leuven in Belgium, were all listed. In Scandinavia the Stockholm School of Economics and Helsinki School of Economics and Business Administration were both represented as was the Graduate School of Business Administration in Zurich.

Strong local schools, feeding local businesses, also predominated in a survey of MBA employment patterns and requirements carried out among Europe's largest 500 companies.

Sixty-seven of the 500 companies responded. Though the numbers represent anecdotal rather than definitive evidence of European industry's views on the different business schools, the responding companies were a self-selecting group: overall, those who responded were those who invest heavily in management training.

The companies were asked which business schools they

Europe's directors

Where Europe's directors got their MBAs

School	Country
1. Insead	France
2. London Business School	UK
3. Harvard	USA
4. Cranfield School of Management	UK
5. Stanford	USA
6. Columbia	USA

Source: FT

used to recruit MBA graduates from, where they sponsored students to study and which business schools were most heavily represented in their management teams.

Again it was Insead that swept the board across Europe followed by the usual suspects - IMD in Lausanne and London Business School.

The data is inevitably skewed on a country-by-country basis, depending on the education system in place there. In Germany and

Scandinavia, for example, where MBA degrees are largely unheard of, there is little stomach for sponsoring students to study for them. Most managers there, as in France, have studied management through the traditional university system.

Over the past five years the situation has begun to change, however. Kjell Angeid, senior management consultant within the personnel group at Skandia Insurance, in Stockholm, notes a real growth in the number of courses in the region these days and an increased interest from younger employees for studying for an MBA.

The names that came up most frequently from Scandinavian companies were the Stockholm School of Economics and the Helsinki School of Economics and Business Administration.

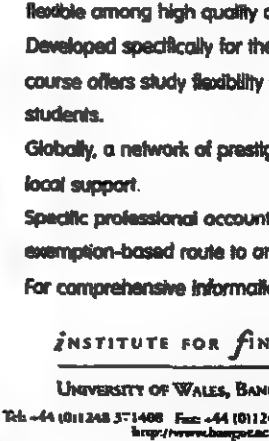
A glance down the list of directors of most German or Scandinavian companies reveals a list of doctorates a mile long, but not an MBA in sight.

Many French companies list the local "grands ecoles" as their hunting ground. In the UK, which has most closely followed the US model on management education, companies both sponsor students and recruit quite widely from their local business schools. At a national level Cranfield, Warwick, Manchester, Henley and Bradford scored highly. In the Netherlands the names of Erasmus and Nijenrode were listed.

One interesting footnote is that while few companies are prepared to send managers to study in the US, at least one company used the Chicago part-time MBA programme, which takes place in Barcelona.

* The companies surveyed belong to the FT Euro 500 list of companies (and a subset thereof). These are the largest European companies by market capitalisation.

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Distance Learning • A new

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BUSINESS EDUCATION: FT Guide to European MBAs 5

PART-TIME PROGRAMMES • by Della Bradshaw and Parminder Bahra

Learning while earning income

Part-time MBAs suit those who wish to remain in work and do not hinder prospects

Studying for an MBA degree is not cheap. With a full-time one-year course setting you back around £50,000 once fees, accommodation and the opportunity cost (a year without a salary) are included, the part-time option can look extremely attractive.

The core question is whether a part-time degree delivers the same long-term career benefits and whether employers treat them with the same degree of respect as the full-time alternative.

There is no definitive answer. At City University Business School, for example, the huge numbers of employees from the international banks in London swell the ranks of the part-time programme. Today, graduates from the 1994 City programme have an average salary of £30,621. With the exception of the full-time programme at DfID, in Switzerland, no other alumni earn so much today.

Just how much their salaries would have increased without an MBA is impossible to gauge but most of the City respondents attributed at least some of the success to the MBA.

"The MBA allowed me to move within my company into the job I wanted," commented one 31-year-old computer company employee. "I use the skills I learned in the MBA every day of my working life."

An American banker now working in Singapore expressed a common theme, that the City MBA was very relevant to the banking industry. "For a career in finance the MBA is perceived as a licence to practice. Although the course

The part-time route to financial rewards

School	Study cost (1994 prices)	% improvement in salary	Average salary pre MBA	Average salary upon completion of MBA (1994 prices)	Average salary today
City University Business School	12,657	118	36,893	49,331	60,621
Bath University School of Mgt	N/A	86	37,000	40,875	66,375
Warwick Business School	10,333	79	36,857	40,615	66,143
London Business School	N/A	68	38,936	48,089	65,375
Cambridge School of Management	14,750	60	40,714	48,296	65,133
Kingston Business School	6,000	71	33,683	41,330	58,000
Cambridge University	25,000	53	35,754	45,899	54,755
Bristol Business School	13,833	68	38,025	33,368	47,158
De Montfort University	5,500	78	23,536	30,336	42,063
IEDC, Slovenia	8,569	113	14,027	15,906	29,844

Only schools with a greater than 20% response rate have been included in this table. 1. Includes salary from 1993 and 1994. 2. Figure represents the total graduating class only from the Judge Institute at Cambridge.

itself was enriching, the confidence gained by attending and obtaining the MBA degree has helped me in my career progression."

But the City alumni are by no means characteristic. The profile that emerged of a typical part-time student was a thirty-nine-year-old man - women are less likely to study part-time than men - who began his MBA in his mid-thirties. He earns an average of £33,400 and has seen a growth in his salary of 74 per cent since beginning the course.

Compared to his full-time equivalent he is older, on a higher salary at the outset and much more likely to be company-sponsored - 57 per cent of part-time students were company-sponsored

compared to 15 per cent of full-time students. Starting an MBA later in life can bring its own problems. One 46-year-old woman hospital administrator who studied at Durham believes she left it too late to exploit the full value from her degree. "I find it stressful to observe and have to negotiate with senior managers who possess little insight or creativity and in a system governed by process."

Like most part-time MBA graduates she chose to stay in the same profession after graduation. A satisfying 73 per cent of all part-time students stayed in the profession in the three years after graduation, compared to 45 per cent of full-time students. The only real shift for

the part-timers is into consulting: that percentage grows from six per cent to 12 per cent over the period.

Part-timers do well in changing their job function, however. Three years after completing the course 22 per cent of them were directors. Again, this could simply be an indicator of the higher age at which part-time students begin the course.

The biggest concern for many studying part-time was the quality of the degrees that were awarded. Because the part-time course has often been the domain of the new universities (old polytechnics) in the UK, many alumni said that employers were wary.

One 41-year-old public sector manager who studied at

Cost of full versus part-time MBAs

	Full-time study (average cost, no opportunity cost)	Part-time study (average cost)	Average cost of course
LBS	£76,224	N/A	Full-time: £58,388 Part-time: £11,528
MBS	£58,206	£9,500	Average improvement in salary from pre MBA to today
Cranfield	£46,850	£14,750	Full-time: £33,168 Part-time: £27,984
Warwick	£50,093	£10,333	

N/A: All respondents company sponsored. Source: FT Survey.

DISTANCE LEARNING • by Lisa Wood

A new route to success

Distance learning can be a sound alternative to conventional MBA study

The growth of distance learning provides a convenient route to an MBA qualification, one which may appeal to a different sort of student than those who decide to undertake a more traditional path.

"An MBA obtained by distance learning is not a poor relation to that obtained by full-time or part-time study," says Mike Jones, director general of the UK-based Association of MBAs, a body which accredits MBA programmes at 49 of the world's top business schools.

Distance learning, sometimes called open learning, involves the students studying in their own time, using a variety of tutor-supported learning materials and possible short residential periods. Study can be undertaken for between two and six years and can be cheaper than for a full-time MBA. There is limited provision by schools in the US and Australia.

Strathclyde University claims that that it was the first UK business school to offer a distance learning MBA in 1983. Since then the number of schools offering the qualification and the number of students taking that route to an MBA have grown rapidly - making up about 20 per cent of the MBA 1996 intake in the UK, the last year for which figures are available. The largest provider is now the Open University Business School.

Big Employers such as Sony, Ernst & Young, Lloyds TSB, PowerGen, Ford and Glaxo Wellcome all sponsor employees on distance learning programmes. Some employers, such as IBM, have largely switched their financial support from full-time MBAs to distance learning ones, and are pleased with the results.

As in any other field of study, however, there are variable standards of courses. Mr Jones and his association are concerned at the quality of some distance learning MBAs. The association accredits distance learning MBAs at only six of the 20 UK schools offering distance learning. They are Durham University, Henley Management College, the Open University Business School, Warwick University, Strathclyde University and Kingston University.

Accreditation of a distance learning MBA itself entails a school meeting strict quality criteria set by the association which started the distance learning scheme about five years ago. Accreditation is necessary for students wishing to take advantage of a loan scheme offered by the association with Barclays Bank and the National Westminster Bank.

"We are concerned about the standards at some schools," says Mr Jones. "But I am also sure that there are good quality distance learning MBAs at schools we do not accredit. Some schools may not want

accreditation by us, others may not have been offering the courses long enough to meet our criteria."

"I would urge every student considering studying for an MBA to be aware of the accreditation system, which is a kitemark of quality."

"There is beginning to be an over provision of MBAs and many employers believe that it is not just the qualification that is important but where you got it. Students who may be considering part-time study at a local school which is not accredited might consider doing a distance learning course at an accredited school."

Some schools offering distance learning MBAs which have not considered applying for accreditation in the past say they are now considering such a move. Bob Henry of the University of Wales, Bangor, which offers a distance learning MBA in association with the Manchester Business School, says: "We have no concerns about the criteria for accreditation. We did not apply for accreditation because many of our students are from

overseas and the need for a school to have accreditation before a student could get a loan from the scheme offered by the banks and the Association of MBAs was not relevant to them. However, the kitemark is now becoming significant in marketing a programme to potential students."

David Asch, Dean of the Open University Business School, says that the profile and objectives of those taking full-time MBAs and those undertaking study via distance learning are quite different.

Students opting for distance learning tended to be older than those taking full-time MBAs. They were often in senior positions and wanted to improve their management skills in their existing jobs while many students taking full-time MBAs wanted to improve their job prospects and change jobs. This is one reason why a survey by the Association of MBAs showed that salaries of those completing full-time MBAs were higher than those undertaking distance learning and part-time study.

Distance learning, says Mr Asch, was not suitable for those who were not well motivated as study at home required great personal discipline. Indeed, about 30 per cent of students enrolling on distance learning courses at UK schools drop out in their first year.

The fact that students undertake study in their own time is a big attraction to employers, many of whom feel that even part-time study takes valuable employees away for too long from the workplace.

Most students undertaking distance learning MBAs are at management level - as at IBM. Maurice Mattison-Thompson, manager of management development in Europe for IBM, says that until 1993 the company tended to support full-time MBAs for a limited number of senior managers.

But, as the need for improved management at all levels had grown there had been a switch towards supporting a greater number of managers on distance learning programmes. "It is not possible to allow a swathe of managers to undertake full-time study," he says. Our decision to support distance learning programmes was based on the perceived need for the MBA qualification, the volume of candidates and the price."

This year IBM is sponsoring nearly 700 students on programmes offered by the Open University Business School. In 1993 there were only 25 employees on the programmes. The first cycle of IBM students completing the four year course have just graduated and IBM is pleased with the results. "Courses tend to be more practical than the full-time MBA, with study very much related to practice," says Mr Mattison-Thompson. "Individuals have ploughed back their skills into the workplace. As employers it is now up to us to offer them the opportunity to use fully those skills."

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6 BUSINESS EDUCATION



Many business schools now use the internet to keep students informed

Hen Lee de Bontfort

INFORMATION TECHNOLOGY • by Vanessa Houlder

An appetite for high tech

The benefits of the computer age are useful to both students and schools

Information technology (IT) is no longer just another subject on the curriculum at business school. IT has become an integral part of most management courses. As such, it is significantly changing the day-to-day life of the typical MBA student.

It is now possible to use computers to choose a school, to make applications, to register for classes, to study, to take exams, to find a job and, later, to stay in touch with the school and classmates.

But the most sophisticated IT applications go well beyond administrative functions. Harvard Business School (HBS), for example, has stepped up its investment in technology to set up a "community-wide IT infrastructure to enhance learning and communication". It uses the Internet and World Wide Web technology to deliver materials and assignments and to provide on-line forums for students and faculty.

The school's own web pages are not static, but dynamically generated. The server makes a web page customised for the students with their specific assignments, classes and materials with hyperlinks to other useful pages.

By using multimedia, the case studies used for teaching are becoming more vivid and instructive. An increasing number of electronic cases incorporate video sequences. "We are now able to conjure up much richer images," says David Upton, an associate professor at HBS. Electronic cases may also offer links to the web pages of the companies involved. Students can also use their PCs to vote on their preferred outcome to a case before the class begins.

Harvard is also trying to ensure that its links with its students continue after they have left. It is experimenting with many different "lifelong learning" projects, including chat rooms, bulletin boards and websites that allow alumni to get access to the latest information from the school.

Harvard, like many of the other top schools, has introduced "lifelong e-mail" to help MBA students stay in touch with each other and the school throughout their careers.

This is a single electronic mail address that students can use throughout their careers, even when they change jobs or open new e-mail accounts. All mail is forwarded to the chosen e-mail address. Typically graduates use the link from their school's Alumni Web page to change their password and forwarding address.

The advantage of the e-mail address for the students is that they can subscribe to alumni mailing lists - although generally not to other mailing lists. They can also gain access to a list of websites of interest to alumni. It may also be possible to search through a complete database of lifelong e-mail addresses.

There may be some drawbacks associated with being listed on a business school's e-mail directory. Many alumni dislike the idea of their e-mail address getting into the hands of companies that want to sell products to high-earning individuals.

This is not a straightforward issue to resolve. It is hard to define the limits for legitimate interest in students' e-mail addresses. For example, most alumni would not want to limit access to their own class, because they may

have had friends in other classes.

Nonetheless, many business schools have introduced policies restricting the use of the lifelong e-mail addresses. Wharton, for example, says "lifelong e-mail addresses are not provided for purposes of soliciting and Alumni Affairs reserves the right to cancel lifelong e-mail addresses for misuse".

In addition to offering lifelong e-mail addresses, some schools plan to offer their students and alumni interactive web pages that are tailored to their interests.

Last summer London Business School (LBS) introduced a system that allows a unique web page to be generated for each student. When students log on, they can click on icons that will lead them into discussion groups (which deal with anything from sports events to academic debates), course outlines, an address book (which can be searched according to country, course, and so on) and various home pages.

Over the next six months, LBS intends to make e-mail accessible through the student's own web page. In addition, it wants to put relevant information from external sources such as on-line

newspapers on their web pages. It is also exploring the possibility of using "push" technology in the form of Netscape's Netcaster software, that allows publishers to deliver information to users' desktops rather than wait for them to find it.

The potential of these interactive web pages is significant, according to Fergus Lynch of LBS. "It is a real tool. It is not something we are doing just to have an Internet presence," he says.

The benefits of this sort of system are particularly apparent for students who are working at some distance from the business school. At LBS, for example, students can get remote access to slide libraries, schedules, lectures and reference materials. "On-line collaborative working is particularly suited to students taking part in executive education who are not in daily face-to-face contact."

The Internet is, however, not the only technology that is making it easier for students to learn from professors or executives in other parts of the world. Videoconferencing is another tool that is proving useful. Students based in Singapore and Malaysia are able to have tutorials with lecturers at London's Imperial College Management School over a videoconferencing network to supplement the less frequent face-to-face contact they receive.

Both videoconferencing technology and the Internet are also playing a part in the recruitment of business school students. Videoconferences are a relatively simple way for companies to conduct preliminary interviews without having to visit the business school's campus. Moreover, storing CVs on electronic databases makes it easier for potential recruiters to find students that satisfy a variety of criteria.

At London Business School, for example, companies can browse the database of anonymous summaries - which list individual's career experience, industry and sector specialisation, language proficiency and salary expectations.

Candidates are contacted with the name of the recruiting company and, if they agree, their CVs will be forwarded within 48 hours. Recruiters can then consider the CVs and decide whether to offer an interview directly. So far, over 500 alumni have registered; 35 companies have placed jobs on line.

The students at schools which have invested heavily in IT are gaining a two-fold benefit. As well as reaping practical advantages from the technology, they are also gaining expertise in using state-of-the-art equipment.

Unsurprisingly, some schools report that the appetite of students for up-to-date technology is virtually insatiable. "As fast as we innovate, the students take it as a matter of course," says Mr Upton of Harvard Business School.

TRADING ROOMS • by George Bickerstaffe

Building bourses for beginners

Schools respond to demand for greater practical experience in markets



LBS students play the Citibank Bourse game

The financial world has always held a strong attraction for MBA graduates. In 1997 13 per cent of graduates from the Kellogg business school at Northwestern University outside Chicago (a school traditionally associated with marketing experts) opted for jobs in the investment banking field at an average salary of \$78,000.

Many schools boast much larger percentages - 36 per cent at the Kenan-Flagler school of the University of North Carolina, for example. At London Business School about one-third of its 200-plus MBA graduates and all of the 100 graduates of its Masters of Finance programme go into the field.

A number of business schools have begun to respond to this interest by introducing direct hands-on experience of dealing in shares, foreign currencies and exotic derivatives such as options and futures into their curricula.

MIT's Sloan School in Cambridge, Massachusetts, in the US was one of the first business schools to follow this route. In March 1996 it set up the first fully equipped trading room ever built on a university campus. The Sloan trading room is identical to real-life trading rooms.

Indeed, Sloan used a firm of architects who have designed actual trading rooms all over the world. Sloan has live price-volume data from Reuters, Bridge and Bloomberg on all the large financial instruments (though links are delayed by five minutes to prevent actual trades being made). Trans-Lux Data Walls display market information and an IPC Tradenet telephone network.

According to Sloan, faculty and students use the 3,000 sq ft facility for classroom study and assignments on a range of investment issues such as financial market analysis, options pricing and the use of information technology in financial services. The trading room is also a research facility. Subjects under investigation include improved methods for analysing and evaluating risk, the psychology behind trading decisions, and neural networks that can "learn" from past market experience.

According to Paul Asquith, professor of finance at the Sloan school, understanding market behaviour without a trading room is like studying "cell biology without a microscope".

One of the most extensive facilities in Europe is based at the Isma Centre, a unit set up for the study of securities markets by the Zurich-based International Securities Market Association (Isma). The centre, which is about to move into a custom-designed \$F55m (\$3.30m) building on the Reading campus funded by Isma, offers a unique masters degree in international securities, investment and banking that makes extensive use of simulated trading.

The Isma Centre's "Invest" dealing room has 30 Reuters 3000 terminals, Dow Jones and Bloomberg terminals, and dealing, portfolio management, hedging and valuation software. Sessions in the Invest room are required of all students even if they do not intend to become dealers or fund managers.

According to Brian Scott-Quinn, director of the centre, "Everyone involved in an investment bank, investment firm or regulatory agency should have experience of the key market risk assessment, risk taking and risk hedging functions. Risk is the key in the investment banking industry and something that every employee needs to understand from his or her experience."

Also in the UK, students at London Business School take part every year in a simulated game - the Bourse Game - which has been organised by Citibank for the last 18 years. LBS is the only institution outside the US to participate.

The game is designed to give students a practical understanding of foreign exchange and monetary markets through a mix of lectures and real-life exercises. According to LBS, as well as providing experience for students the game also gives Citibank a chance to spot "rising stars".

During the four-day game, students attend theoretical lectures in the mornings and simulated trading sessions in the afternoon. In these sessions work in teams as competing "banks" trading term deposits, spots and

dealing in the forward and spot foreign exchange markets. In addition they have to react to fictitious news bulletins fed via a television "network". Success is measured not just by maximising profits but also on return on assets, risk limitation and overall professionalism.

Zacharias Maniatis, who completed a Masters in Finance degree at LBS in 1995, says: "The game exposes you to the stress involved in working in a dealing room. I now work at Alpha Brokerage in Athens and I found the whole experience invaluable."

The numbers of business schools operating their own trading rooms is still small - perhaps half a dozen in the US, two or three in Europe and the same number in the Asia Pacific region. But many more are likely to join.

The next is likely to be the Johnson School of Cornell University in Ithaca, New York State, in the US, where its Parker Center for investment research expects to have a trading room up and running by May 1998. As well as hands-on trading experience, Charles Lee, director of the centre and a professor of accounting and finance, wants to use the facility to understand how people use information.

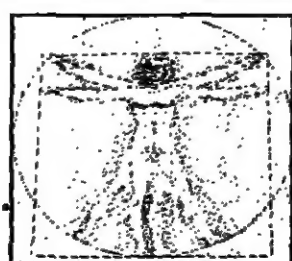
Cornell is also involved in an innovation in trading simulation that looks likely to spread as quickly as simulated trading rooms - the use of real money portfolios. Such schemes have been running for a number of years at the universities of Texas and Wisconsin and elsewhere in the US. Students at Texas and Wisconsin respectively manage portfolios of \$3m and \$1.5m.

But whether they use real money or not, the use of computers to simulate trading situations is undoubtedly here to stay. Mr Scott-Quinn at the Isma Centre says: "It's much cheaper to send someone on a course that provides computer-based assessment of performance than to try them out on the dealing floor and hope it all works out."

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THE GENERAL MANAGER • by Richard Donkin

Filling in the experience gaps for new executives

Valued staff can be taught the latest systems of best practice in business

Your engineering qualifications are impeccable but despite your well-earned reputation for technical expertise you wouldn't know a marketing strategy if it hit you on the head. Suddenly your technical talent is rewarded with a senior management position. What do you do?

One idea may be to go back to school. Business Schools are finding increasing interest from companies keen to help their most valuable technical managers make the leap into executive positions with much broader management responsibilities.

Demand for such tuition was identified in a survey of 3,000 managers carried out last year by the UK's Institute of Management. It found that two-thirds had received no formal training to prepare them for their management responsibilities. About three-quarters of the managers said they thought it was important for them to receive some kind of training in broad management skills.

One problem, says the Institute, was identifying their deficiencies. The Institute now markets a diagnostic tool called Check-A-Board, devised in conjunction with Saville & Holdsworth, the psychometric test publisher.

"We think this is a vital first stage because the process enables you to find out how much you know and how much you don't know," says Mark Hastings, the Institute's policy adviser. "This way people can work out what programme of management education they need."

Management schools have a varied approach to such

teaching. Some, like Cranfield University School of Management have tailored specific courses covering general management skills of specialists.

Cranfield's 12-week long General Management for Specialists course was designed with such a need in mind. It grew out of courses that extended general management skills to accountants and engineers.

Martin Clarke, the programme's director, says the course is aimed at those who have risen to be a functional head but who are now moving to a more senior position where they will need an integrated perspective of the company. "They may have been operating effectively within their speciality but when they move out of their comfort zone suddenly things get more complicated," he says.

"Often people come with an exaggerated sense of hierarchy, looking at the business from their functional perspective. They can soon become confused and demotivated by the paradoxes, for example, of mixing global and local considerations or of whether they should deal with falling profits by cutting costs or expanding market share. Part of our job is to get them to accept the fact that such problems will always be there and that there is no right answer."

The Wharton school at the University of Pennsylvania packs its two-week Executive Development Programme with business simulations designed to test executives' general management skills and help them deal with the sort of problems they will encounter in their companies. The simulations are used both for individual and group work.

"The group work involves complex decision making at different levels. We find the simulations are an effective way of accustoming these functional specialists to dealing with parts of the busi-



Harvard Business School: tapping alumni for management experiences

Robert Hooten/UP

ness with which they are not familiar. The courses are always oversubscribed," says John Kinaberry, one of the lecturers who works on the programme.

Business schools, however, are also becoming aware of the opportunities such courses hold for exchanges of personal experiences, particularly among managers in different countries. "Our International Executive Programme gives managers a tremendous opportunity to network and extend their experience as well to break out of their particular expertise," says Sylvain Daudel, marketing director for executive education at Insead in Fontainebleau.

Other schools are experimenting with new forms of teaching. David Garvin, professor of business administration at Harvard Business School has introduced internet discussions using input from alumni who have recently moved into general

management positions. "There is very little written on this subject and I thought this was a good way of obtaining fresh insights from people who could share their experiences," he says.

London Business School runs a four-week Accelerated Development Programme designed specifically to help the functional specialist meet the challenges of general management. Lucy Grant, client service manager for executive education, who looks after the course, says the most highly rated part of the programme by participants is a section which deals with inter-personal skills. "A lot of them are managing a team of people doing different things for the first time. This is probably one of their biggest challenges."

Ian Hardie, the school's development director for company specific programmes, says some companies now want the tuition of general management skills within their particular company structure. "These companies have a range of people across the organisation who are too specialised. One of the most valuable uses of this type of course is bringing managers together from different locations, often from different countries, which allows them to appreciate their different problems," he says.

The programme also has a multinational make up with 38 per cent of participants from the UK, 42 per cent from other parts of Europe and 20 per cent from the rest of the world.

Mr Hardie says that the need for such management tuition, even at senior levels, should not be underestimated. "You would be amazed to find how many people can rise to the top of their organisation in their specific field and yet be dreadful at managing people," he says.

PARTNERSHIPS • by Richard Donkin

Collaboration to advance new ideas

Business and MBA programme alliances can reap rewards for both sides

Ever since General Motors asked Peter Drucker, the management writer, to carry out a study of the company written up in his classic work, *The Concept of the Corporation* in 1946, companies have understood the potential of close collaboration with academics for improving their business.

Today the fashion is growing for business schools to have programmes co-operating closely with pace-setting companies. Often the co-operations involve forums of blue chip companies sharing the results of academic research and passing examples of best practice between each other.

But some schools are developing much closer links with specific businesses. One example is the way that Siemens Nixdorf Informationssysteme, the computer company, and the MIT Sloan School are working closely together in the exploration of emerging managerial issues such as the leadership of cultural change, team management, diversity and organisational leadership.

The relationship was developed by Gerhard Schulmeyer, after he was appointed chief executive of Siemens Nixdorf in 1994 with the job of restoring the loss-making company to competitiveness. Mr Schulmeyer, a graduate of Sloan School, decided the input of its academics could be a valuable way of initiating cultural change among his managers.

Three years ago, working closely with the school, he set up a "change agent" programme, designed to nurture entrepreneurial behaviour across the company. The concept was to develop such behaviour within a core group or cadre of high potential managers within the company. They would be responsible for working on specific projects over a year which would aid the company and the organisational capacity of its executives. Many of the executives

came with engineering backgrounds, seeking to expand their general business skills so that they could, in the words of Robert Halperin, director of executive education at MIT "develop a road map for understanding change and the type of culture needed to operate in a global context."

He adds: "The idea is that they will have more than a week or two to get injected with the knowledge. They will be learning and applying their knowledge on specific projects."

Although a four-week stretch of the course will be spent at MIT in Cambridge, Massachusetts, most of the time is spent working directly on the projects. "It's

'There is a great opportunity for learning among our faculty from these individuals'

action learning. The idea is that people learn best when working on genuine problems and applying competency frameworks in their own environment," says Mr Halperin.

About 25 managers or technical specialists are selected and sponsored from the budgets of the heads of their particular business for each year's programme. In addition to the input from MIT they receive coaching on their projects from Solutions and Business Services, the company's consulting group.

One project, for example, is looking at the quality model promoted by the European Foundation for Quality Management. MIT is sharing the results of the work with the business sponsors.

"The programme is focusing on the customer service dimension of quality rather than on manufacturing," says Mr Halperin. Course lecturers are currently discussing case studies. One

possibility, says Mr Halperin, is a study of the customer service practices of Ritz Carlton Hotels. "We think there is real potential in looking at something other than an IT business. Looking at a hotel group would provide a different frame of reference," he adds.

The programme has an important spin off for MIT in addition to course fees. "There is a great opportunity for learning among our faculty members working with these high potential individuals on real business projects," says Mr Halperin.

"It pushes our faculty to develop materials and present them in a way that is relevant to the company. It keeps the faculty fresh in the knowledge that it is dealing with leading edge ideas and it also provides important feedback into the MBA programme."

As part of the course the executives carry out site visits to selected companies. Company visits planned in Boston, for example, include two high technology start-up companies to look at how they manage projects and customers. One company on the tour programme is a potential customer.

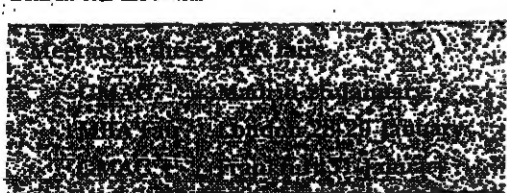
The company also benefits from the number of executives it has steeped in various ideas for change management. "In December we had people from the three previous years and those in the current programme gathered together so we had 100 change managers capable of spreading their ideas through the company. They are becoming a very powerful group," says Tim Bookas, head of the Munich-based change centre at Siemens Nixdorf.

In addition to the MIT link up, the current group of change agents will be visiting Silicon Valley in May as part of a project run from Stanford Business School, focusing on innovation and creativity. The company plans the next programme to be extended to include participants from customers and suppliers. "We think that working on a common project will be an effective way of building relationships with customers and business partners," says Mr Bookas.

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8 BUSINESS EDUCATION

PROFILE Yale School of Management

Aiming to educate the future elite

The Yale School of Management is an individual and increasingly aggressive participant in the world of Ivy League business schools.

It is far younger than its rivals, such as the Harvard Business School or Wharton, having been founded only 20 years ago at the edge of Yale University. It is the smallest of the truly elite US management schools, with only 200 students a year. And its graduates do not get an MBA, but instead a MPPM (Master of Public and Private Management).

But the Yale SOM competes head-on with its Ivy League rivals, even though it is clearly built on very different foundations. Its dean for the past two years, Jeffrey Garten, says the school has the largest endowment per student of any US business school and plans to expand the faculty by 60 per cent over the next five years.

The school still attempts to put business in a broader perspective than its rivals, as the unusual title of its degree implies. This is a by-product of fierce internal disagreements at the university at the time of the school's founding. Some of the university's governors felt uncomfortable about bringing a full-blooded business school on campus and the SOM must try to specialise in developing public sector and non-profit entrepreneurs.

But Mr Garten is clear that this should not distort the school's underlying mission. "It's a total misconception that this is not a hard-edged business school," he says. "We are educating leaders for business and society. That means we are educating business leaders who will go on to lead businesses effectively because they understand everything else

that's going on around them."

To do this, students must first master a testing array of business skills in their first year, including finance, accounting, business strategy, operations management and marketing.

These courses, according to Mr Garten, are "among the most quantitative of any business school in the world", taught in some cases by rigorous academic economists. No student can graduate without understanding the latest advances in financial engineering, such as how to price derivatives.

The SOM's small student body - which will remain roughly the same size while the faculty is expanded - does, however, limit the school in some ways. While larger Ivy League business schools have developed substantial autonomy, the SOM works more with its associated graduate schools, and with Yale's academic researchers.

The SOM is also developing a strong international focus, and all students must take at least one course in emerging markets. Its faculty - including Mr Garten, a former undersecretary for international trade and international investment banker - is already heavily loaded with experts on emerging markets.

The courses have a strong practical bent, and the school has made great efforts to build interdisciplinary courses, using its links with the rest of the university.

For example, a new course this term will be offered jointly by the law and management schools, and cover the practical problems of doing business in emerging markets - including corruption, bankruptcy laws and



Yale SOM's dean, Jeffrey Garten

currency convertibility, as well as the tough underlying economics. It has been heavily over-subscribed.

Another important part of Mr Garten's approach is to use Yale's pulling power to attract powerful guest professors. One of the most popular courses, for example, covers corporate governance. It is taught jointly by Ira Millstein, generally regarded as the leading legal expert in the field of corporate governance and an adviser to several presidents, and Paul McAvoy, a former dean of the SOM and economic adviser to President Ford, and director of numerous companies.

Their experience and contacts allow students privileged access to the best professionals. When students study the case of Chase Manhattan's 1995 take-over by Chemical Banking, one of the most famous mergers in American corporate history, they can speak not only to a Chase director of the time - Mr McAvoy - but also to Michael Price, the mutual fund manager who used a big stake in the company to force it into a merger.

Teamwork is important. Students tend to be far more co-operative than they are at other US business schools. They compete with each other far less than students at other schools, such as Harvard.

John Authors

PROFILE Essec

Diversity is the selling point

Essec may be one of France's top-ranked business schools, but at the start of the 1990s, its directors were confronted by a serious problem. While its domestic reputation was well-established as part of the country's elite system of "grandes écoles", the institution was almost unknown abroad.

Students graduating with their diplomas and increasingly searching for jobs with international companies met bemusement and some difficulties in recruitment from those employers who were not familiar with the French educational system.

While many defenders of the French system argue that the graduates of the business grands écoles - notably HEC, Essec and ESCP - have the equivalent of an MBA, critics suggest

that the diploma is more akin to the standard of an undergraduate degree from a top national university - such as Harvard or Yale in the US. Whatever the truth, Essec faced growing competition from foreign business schools luring candidates to other countries and also felt the need to expand.

The response has been the launch over the past few years of a range of specialist MBA and other post-graduate business programmes which have given Essec a new standing outside French national boundaries. A notable achievement came in April 1997, when Essec became the first European institution to be granted accreditation by the US business school accreditation body, the AACSB.

The bulk of Essec's students - some 1,500 at any one time - are top achievers, passing through preparatory classes, meeting the requirements of a competitive entrance exam and entering the school at 19 or 20-years-old for a three to four-year course. It is for these pupils that the Ecole Supérieure des Sciences Economiques et Commerciales (Essec) was founded in 1907.

The recent diversification of courses has been rapid. Since 1983, the school has notably started offering an executive MBA, targeted at those who already have an average of 9-10 years of business experience. It costs FF150,000, including tuition, books and a two-week residential course.

The course runs over two years, with participants continuing to work full-time

in their own jobs, but coming to a special centre in La Defense on the edge of Paris every two weeks for classes on Fridays and Saturdays. Alongside class-room sessions, it draws on the experience of the students themselves, and the use of "groupware" software to allow them to communicate regularly when they are not together.

One-third of the annual intake of about 50 students is not French, and half of the tuition is carried out in English - although there is debate about switching entirely to English. "We don't want to attract people who can't speak at least two languages," says David Manson, course director.

There are 1,000 students on a range of other post-graduate courses at Essec, most significantly on ten specialist one-year

full-time Masters programmes, such as marketing management, international business law and management, international purchasing and financial methods. There is also a two-year degree available from the international hotel management institute, which Essec set up jointly with Cornell University in the US.

Two years ago, Essec decided to take an even more innovative approach. It launched a one-year specialist MBA in luxury brand management.

The formula of niche MBAs appears to have worked well, and Essec has decided to launch a second one - specialising in agro-food - this autumn. Others may well follow.

Andrew Jack

PROFILE Graduate School of Business, University of Capetown

Ready to embrace a world view

Few of the world's business schools can boast a location more symbolic than the Graduate School of Business at the University of Cape Town. Its Breakwater Campus is housed in a former prison and is now a national monument.

This bridge between the contemporary world of commerce and the historic institutions of the university, is an apt illustration of Cape Town's growing exposure to international business after years of isolation.

"The political reservations about coming to a South African institution have gone," says Professor Kate Jowell, the school's director. Last year, one-third of its full-time MBA students hailed from outside South Africa. A record number of international applicants are expected this year.

For many western stu-

dents at least, South Africa may seem an unlikely place to develop the skills that global business will need in the next century. Although the high tariff barriers which protected local industry during the apartheid era have been dismantled, its legacy is a labyrinthine network of cross-holdings built up during isolation.

A handful of conglomerates dominate the local economy, competition is often limited, and skilled managers are in short supply. For all that, the biggest companies have begun to overhaul their corporate structures and many have recognised an urgent need for incentive schemes to stem the migration of scarce talent.

Professor Jowell says the University of Cape Town is playing an important role in boosting the calibre of local management. The school

invites an array of foreign academics to give an international perspective, and runs an exchange programme with "top drawer" international schools including Wharton and UCLA.

For foreign students in particular, Professor Jowell suggests a year spent in South Africa's post-apartheid economy could bring tangible benefits. "With so much discussion about business globalisation, it's important to establish yourself with some knowledge of a society that is in transition."

The MBA course runs concurrently with an Associate in Management programme (AIM), which is South Africa's only full-time business course available to people with limited formal education. The AIM syllabus places more emphasis on group and project work.

supervisory positions or with a background in the trade union movement who take a series of courses modelled on the MBA programme. Nicola Coombe, AIM director, describes it as "a bridge for people who in a normal society would have progressed beyond their current position".

The school also conducts research on the South African workplace through a variety of studies that contribute to its database and information service. The best known initiatives are the Breakwater Project, a biannual review of employment equity among large corporations, and the Manufacturing Roundtable, which has pioneered the Best Practice Initiative, a review of manufacturing processes.

Next to the experience of the changing South Africa and the splendours of Cape

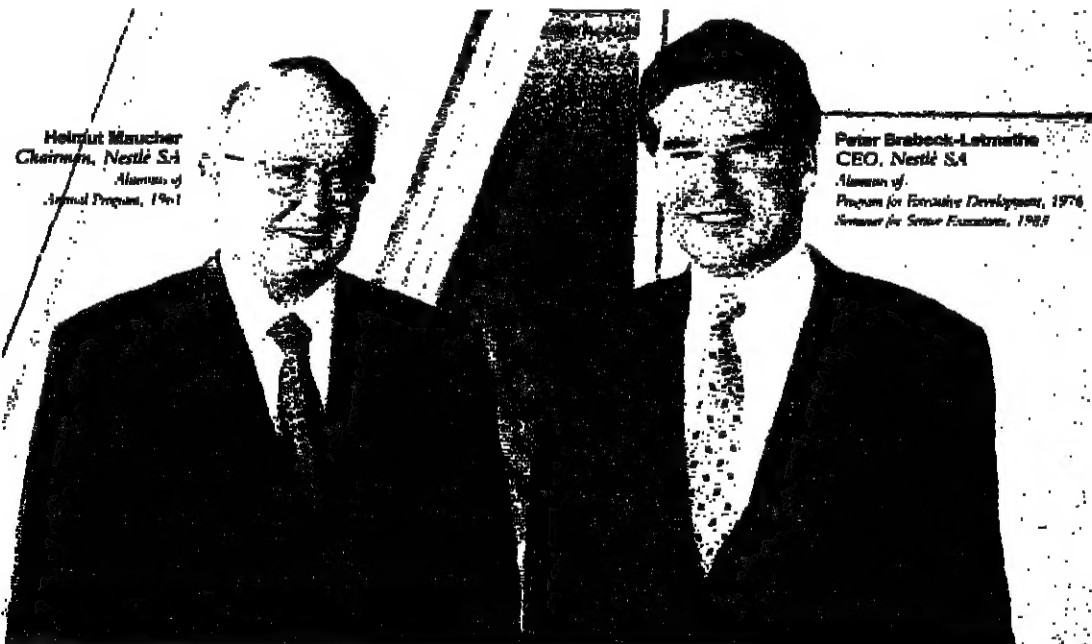
Town, the relatively low fees are one of the principal attractions of UCT's MBA. The course, which begins in January and runs for a full calendar year, is South Africa's only full-time MBA and costs just \$9,500 for students living outside Southern Africa. The rand cost for residents of countries in the Southern African Development Community is R30,500 (\$6,174).

For the past two years, the school's MBA programme has been the most highly rated in South Africa by respondents to an annual professional management MBA survey. Roughly 90 students have enrolled for the 1998 class, which will be the largest on record. The average age is 30, and the average level of previous work experience is seven years.

Mark Ashurst

"I was confident in seeing an IMD alumnus become my successor"

Holmut Mancher



Holmut Mancher
Chairman, Nestlé SA
Alumnus of
General Program, 1961

Peter Brabeck-Latnath
CEO, Nestlé SA
Alumnus of
Program for Executive Development, 1979
Formerly for Senior Executives, 1981

Peter Brabeck-Latnath, the new CEO of Nestlé, is one of the many highly successful international executives whose careers have been enhanced by attending programs at IMD.

The first program he participated in, Program for Executive Development, or PED, is an intensive 10-week general management program (over 14 months) designed to prepare fast-moving middle managers for their next big step.

At Nestlé, as in several other leading international companies, the Program for Executive Development is a cornerstone in the management development process. It is used to create a common language among senior executives world-wide.

If you want to capitalize on your leadership potential and give your company a competitive edge, you should carefully consider attending one of these general management programs:

Senior Executive Forum
3-day forum on creating rapid growth
Starting dates:
February 18 or October 14, 1998

Program for Executive Development
Prepared fast-moving managers for the next big step
Starting dates:
February 2 or August 17, 1998

International Program for Board Members
Adding value through the board
Starting date:
April 27, 1998

Seminar for Senior Executives
Re-defining the senior manager's agenda
Starting dates:
June 1 or October 19, 1998

Managing Corporate Resources
Sharpening operational business unit or country managers
Starting dates:
May 11 or October 26, 1998

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